Hikma Finance USA LLC

(incorporated in Delaware)

US$500,000,000 3.250 per cent. Guaranteed Notes due 2025 guaranteed by

Hikma Pharmaceuticals PLC and the other Initial Guarantors named herein

Issue Price 98.862 per cent.

The US$500,000,000 3.250 per cent. Guaranteed Notes due 2025 (the "Notes") will be issued by Hikma Finance USA LLC (the "Issuer") and fully, unconditionally and irrevocably guaranteed on a joint and several basis (the "Guarantee") by each of Hikma Pharmaceuticals PLC (the "Company"), Al Jazeerah Pharmaceutical Industries Ltd, Arab Pharmaceutical Manufacturing PSC, Eurohealth (U.S.A.), Inc., Hikma Farmacêutica (Portugal) S.A., Hikma Injectables USA Inc., Hikma Labs Inc., Hikma Pharma S.A.E., Hikma Pharmaceuticals International Limited, Hikma Pharmaceuticals LLC, Hikma Pharmaceuticals USA Inc., Hikma Specialty USA Inc. and West-Ward Columbus Inc. (together, the "Initial Guarantors" and each an "Initial Guarantor" and, together with any additional guarantor (together, the "Additional Guarantors" and each an "Additional Guarantor") appointed pursuant to the terms and conditions of the Notes (the "Conditions"), the "Guarantors" and each a "Guarantor"). Interest on the Notes is payable semi-annually in arrear on 9 January and 9 July in each year. Interest will accrue from and including 9 July 2020 (the "Issue Date"). Payments on the Notes will be made without deduction for or on account of taxes of the United Kingdom, the United States, Jordan, Egypt, Saudi Arabia and Portugal, as the case may be, to the extent described under "*Terms and Conditions of the Notes—Taxation*".

The Notes mature on 9 July 2025 but may be redeemed before then in whole (but not in part), at their principal amount together with accrued interest, at the option of the Issuer in the event of certain changes affecting taxes of the United Kingdom, the United States, Jordan, Egypt, Saudi Arabia or Portugal, as the case may be, and may also be redeemed before maturity at the option of the relevant holder at their principal amount together with accrued interest following a Change of Control (as defined in the Conditions). See "*Terms and Conditions of the Notes—Redemption and Purchase*".

The Notes, subject to Condition 5, will constitute direct, unconditional and unsecured obligations of the Issuer and the Guarantee will constitute direct, unconditional and unsecured obligations of each of the Guarantors. See "*Terms and Conditions of the Notes—Guarantee and Status*".

Application will be made to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to its International Securities Market (the "ISM"), which is the exchange regulated market of the London Stock Exchange. The London Stock Exchange's ISM is not a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "MiFID II"). This Offering Circular constitutes an admission particulars for the purposes of the admission to trading of the Notes on the ISM.

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular. There is no assurance that a trading market in the Notes will develop or be maintained.

The Notes are expected to be assigned a rating of BBB- by S&P Global Ratings Europe Limited ("S&P") and Ba1 by Moody's Investors Service Ltd. ("Moody's"). S&P is established in the European Union and Moody's is established in the United Kingdom and each is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). As such, each of S&P and Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation. A rating is not a recommendation to buy, sell or hold the Certificates (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The denomination of the Notes will be US$200,000 and integral multiples of US$1,000 in excess thereof. Notes which are offered and sold in reliance on Regulation S under the Securities Act ("Regulation S") will be represented by beneficial interests in a permanent global certificate (the "Global Certificate") in registered form, without interest coupons attached, which will be registered in the name of Citivic Nominees Limited as nominee for, and shall be deposited on or about the Issue Date with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, SA ("Clearstream, Luxembourg"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participants. Except as described herein, definitive certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificate.

NEITHER THE NOTES NOR THE GUARANTEE HAVE BEEN OR WILL BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAW, AND THE NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Offering Circular.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Citigroup **HSBC**

Joint Lead Managers and Joint Bookrunners

BofA Securities **Mizuho Securities**

The date of this Offering Circular is 7 July 2020.

This Offering Circular has been prepared for the purpose of giving information with regard to the Company and its consolidated subsidiaries (the "Group"), the Guarantors, the Notes and the Guarantee which, according to the particular nature of the Issuer, the Group, the Guarantors, the Notes and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantors.

Each of the Issuer and the Guarantors accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and each Guarantor (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Guarantors or the Joint Lead Managers to subscribe for or purchase any of the Notes. None of the Issuer, the Guarantors or the Joint Lead Managers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The distribution of this Offering Circular and the offering and sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantors and the Joint Lead Managers to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantors or the Joint Lead Managers represents that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantors or the Joint Lead Managers which is intended to permit a public offering of the Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

The Notes and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Notes and the Guarantee are being offered and sold to investors who are located outside the United States.

For a description of these and further restrictions on offers, sales and transfers of the Notes and distribution of this Offering Circular, see "*Subscription and Sale*" below.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantors or the Joint Lead Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantors since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantors since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which they are supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any other information supplied in connection with the issue of the Notes (a) are intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by any of the Issuer, the Guarantors or the Joint Lead Managers that any recipient of this

Offering Circular or any other information supplied in connection with the issue of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantors. Furthermore, no comment is made or advice given by the Issuer, the Guarantors or the Joint Lead Managers in respect of taxation matters relating to any Notes or the legality of the purchase of Notes by an investor under applicable or similar laws. None of the Joint Lead Managers undertakes to review the financial condition or affairs of the Issuer or any Guarantor during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Joint Lead Managers.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND FINANCIAL ADVISER AS TO TAX, LEGAL, FINANCIAL AND RELATED MATTERS CONCERNING THE PURCHASE OF THE NOTES.

To the fullest extent permitted by law, the Joint Lead Managers accept no responsibility whatsoever for the contents of this Offering Circular, or for any other statement made or purported to be made by a Joint Lead Manager or on its behalf in connection with the Issuer, the Guarantors or the issue and offering of the Notes. Each Joint Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. No representation or warranty, expressed or implied, is made or given by or on behalf of the Joint Lead Managers, nor any person who controls any of them or any director, officer, employee or agent of any of them, or affiliate of any such person as to the accuracy, completeness or fairness of the information or opinions contained in this document and such persons do not accept responsibility or liability for any such information or opinions. Save for the Issuer and the Guarantors, no other party (including the Joint Lead Managers (as defined in "*Terms and Conditions of the Notes*")) has independently verified the information contained herein.

Except as described in this Offering Circular, beneficial interests in the Global Certificate will be represented through accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in Euroclear and Clearstream, Luxembourg. Except as described in this Offering Circular, owners of beneficial interests in the Global Certificate will not be entitled to have the Notes registered in their names, will not receive or be entitled to receive physical delivery of the Certificates evidencing the Notes in definitive form and will not be considered holders of the Notes under the Notes and the Fiscal Agency Agreement.

In connection with the issue of the Notes, HSBC Bank plc (the "Stabilisation Manager") (or any person acting on behalf of the Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or any person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

NOTICE TO INVESTORS

THE NOTES AND THE GUARANTEE HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. EACH INVESTOR WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS. SEE "*SUBSCRIPTION AND SALE*".

THE NOTES AND THE GUARANTEE HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES AND THE GUARANTEE OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA") or the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or the United Kingdom may be unlawful under the PRIIPS Regulation.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion in relation to the type of clients criteria only that: (i) the type of clients to whom the

Notes are targeted is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' type of clients assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' type of clients assessment) and determining appropriate distribution channels.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE – In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as amended or modified from time to time, the "SFA") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018).

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Offering Circular and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the "CBB") in the Kingdom of Bahrain where such investors make a minimum investment of at least US$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.

This Offering Circular does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe for or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of securities will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

NOTICE TO RESIDENTS OF SAUDI ARABIA

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF MALAYSIA

The Notes may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Notes in Malaysia may be made, directly or indirectly, and this Offering Circular or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(l)(b), Schedule 7 or Section 230(l)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer or any Guarantor and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Offering Circular.

NOTICE TO RESIDENTS OF THE STATE OF QATAR

The Notes have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar, including the Qatar Financial Centre, in a manner that would constitute a public offering. This Offering Circular does not and are not intended to constitute an offer, sale or delivery of the Notes under the laws of the State of Qatar and have not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Exchange or the Qatar Central Bank in accordance with their regulations and any other regulations in the State of Qatar. The Notes are not and will not be traded on the Qatar Exchange.

NOTICE TO RESIDENTS OF THE HASHEMITE KINGDOM OF JORDAN

The Notes have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the Hashemite Kingdom of Jordan in a manner that would constitute a public offering. This Offering Circular has not been and will not be reviewed or approved by, or registered with, the Jordan Securities Commission in accordance with its regulations and any other regulations in the Hashemite Kingdom of Jordan. The Notes are not and will not be traded on the Amman Stock Exchange.

Each Manager has represented and agreed that the Notes have not been and will not be offered, sold or promoted or advertised by it in Jordan other than in compliance with the Securities Law No. (18) of 2017, as amended, the Law Regulating Dealings in Foreign Exchange No. (1) of 2017, and regulations issued pursuant to them governing the issue of offering and sale of securities. Without limiting the foregoing, each Joint Lead Manager has represented and agreed that the Notes have not been and will not, in any manner, be offered, sold, promoted or advertised to more than thirty (30) persons in Jordan, without complying with the required approval and notification requirements set out under the above-referenced laws and the regulations issued pursuant to them.

NOTICE TO RESIDENTS OF THE ARAB REPUBLIC OF EGYPT

The Notes may not be offered or sold in any form of general solicitation or general advertising or in a public offering in Egypt, unless the pre-approval of the Financial Regulatory Authority ("FRA") – formerly known as the Capital Market Authority ("CMA") – has been obtained. The Notes may only be offered or sold in Egypt through a private placement to Egyptian QIBs and Qualified Individual Investors (as defined herein) who are sophisticated enough to fend for themselves or whose ordinary activities involve them in acquiring, holding, managing or disposing of investments for the purposes of their business and only in accordance with applicable Egyptian law and regulations including the applicable provisions of the Capital Market Law, its Executive Regulations and the provisions of the Decree of the Board of Directors of the FRA no. 48 for the year 2019 concerning public offerings and private placements.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular contains "forward-looking statements" regarding the Issuer's and/or the Guarantors' financial position, business strategy, management plans and objectives for future operations. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Issuer's or the relevant Guarantor's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Issuer's or the relevant Guarantor's present and future business strategies and the environment in which the Issuer's and the relevant Guarantor expects to operate in the future. Important factors that could cause the Issuer's or the relevant Guarantor's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors referenced in this Offering Circular:

- a failure by the Group or any of its third-party suppliers to comply with product quality regulations;
- a failure to meet contractual supply commitments or broader market shortages;
- the consequences of operating in a highly competitive industry;
- the impact on sales of the Group's policies regarding returns, allowances and chargebacks in the United States;
- the Group's reliance on a limited number of products for a significant portion of its business;
- the Group's reliance on a limited number of distributors for its generic and branded pharmaceutical products;
- the Group's manufacturing of products under licences from third parties, which could be terminated;
- the Group's ability to develop, manufacture and successfully commercialise new products;
- the impact of the time consuming and uncertain nature of obtaining government approvals; and
- the coronavirus health emergency.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Forward-looking statements speak only as of the date of this Offering Circular and the Issuer and the Guarantors expressly disclaim any obligation or undertaking to publicly update or revise any forward-looking statements in this Offering Circular to reflect any change in their expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, the Issuer and the Guarantors cannot assure you that projected results or events will be achieved and the Issuer and the Guarantors caution you not to place undue reliance on these statements.

ENFORCEABILITY OF JUDGMENTS

Several of the Guarantors are organised under the laws of countries other than the United States and the United Kingdom, see "*Description of the Issuer and the Guarantors*". Of the 21 directors and executive officers of the Company, eight are non-residents of the United States or the United Kingdom, and a substantial portion of the assets of the Company and such persons are located outside the United States and the United Kingdom. As a result, it may not be possible for investors to effect service of process within the United States or the United

Kingdom upon certain Guarantors or such persons or to enforce against any of them in the United States or the United Kingdom courts judgments obtained in courts in the United States or the United Kingdom, as the case may be, including, in the case of the United States, judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States. See also "*Risk Factors—Risks Relating to Enforceability of Claims under the Guarantee*" and "*Risk Factors—Risks Relating to Enforcement of Judgments and Arbitral Awards*".

MARKET, ECONOMIC AND INDUSTRY DATA

The Group operates in markets in which it is difficult in certain cases to obtain precise market, economic and industry information. Certain factual information used in this Offering Circular has been obtained from IQVIA, PwC Health Research Institute and other third-party sources listed herein (see "*Industry*"). The Group believes that the information provided by these third parties is reliable, but the accuracy and completeness of this information is not guaranteed and any related estimates or projections may be based on significant assumptions. None of the Issuer, the Guarantors or the Joint Lead Managers accepts responsibility for the factual correctness of any statistics or information obtained from third parties. This third-party information was not produced for the purposes of inclusion within any offering document for a transaction of the nature contemplated herein or for securing financing of any nature. IQVIA, PwC Health Research Institute and the other third-party sources listed herein do not accept any responsibility for the accuracy of the information made available in or based on their publicly available market research.

Each of the Issuer and the Guarantors accepts responsibility for accurately extracting and transcribing such statistics and information. The Issuer and the Guarantors confirm that all third-party information has been accurately reproduced and, so far as the Issuer and the Guarantors are aware and have been able to ascertain from that published information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

None of the Issuer, the Guarantors or the Joint Lead Managers intends to, nor assumes any obligation to, update the market, economic and industry data set forth in this document.

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OVERVIEW

This overview must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of this Offering Circular as a whole. This overview does not contain all the information investors may consider important in making their investment decision. Therefore, investors should read this entire Offering Circular carefully, including, in particular, the section entitled "Risk Factors".

Words and expressions defined in "*Terms and Conditions of the Notes*" shall have the same meanings in this overview.

Issuer	Hikma Finance USA LLC
Initial Guarantors	The Company, Al Jazeerah Pharmaceutical Industries Ltd, Arab Pharmaceutical Manufacturing PSC, Eurohealth (U.S.A.), Inc., Hikma Farmacêutica (Portugal) S.A., Hikma Injectables USA Inc., Hikma Labs Inc., Hikma Pharma S.A.E., Hikma Pharmaceuticals International Limited, Hikma Pharmaceuticals LLC, Hikma Pharmaceuticals USA Inc., Hikma Specialty USA Inc. and West-Ward Columbus Inc.
Additional Guarantors	Pursuant to, and in the circumstances outlined in, Condition 5.4, the Issuer and the Guarantors have undertaken to procure one or more Additional Guarantors.
Description of the Notes	US$500,000,000 3.250 per cent. Guaranteed Notes due 2025 to be issued by the Issuer on the Issue Date.
Issue Price	98.862 per cent.
Issue Date	9 July 2020.
Joint Global Coordinators	Citigroup Global Markets Limited HSBC Bank plc
Joint Lead Managers and Joint Bookrunners	Citigroup Global Markets Limited HSBC Bank plc Merrill Lynch International Mizuho International plc
Fiscal Agent, Paying and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Europe AG
Maturity	Unless previously purchased and cancelled, or otherwise redeemed, the Notes will be redeemed at their principal amount together with accrued interest on 9 July 2025.
Interest	The Notes will bear interest from and including the Issue Date at a rate of 3.250 per cent. per annum. Interest on the Notes will be payable semi-annually in arrear on 9 January and 9 July in each year, commencing on 9 January 2021.
Optional Redemption by the Issuer for Taxation Reasons	Pursuant to, and as further set out in, Condition 7(e), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable), at their principal amount,

	(together with interest accrued to but excluding the date fixed for redemption), if the Issuer (or, if the Guarantee were called, any Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 9.
Optional Redemption by Noteholders upon a Change of Control or a Guarantor Group Remediation Event	Pursuant to, and as further set out in, Condition 7(f), if a Change of Control or Guarantor Group Remediation Event (each as defined therein) occurs, the Issuer shall, at the option of the holder of any Note (unless prior to the giving of the relevant Exercise Notice (as defined below) the Issuer has given notice of redemption under Conditions 7(b), 7(c) or 7(d), redeem in whole (but not in part) such Note on the Put Date (as defined therein) at its outstanding principal amount together with interest (if any) accrued to (but excluding) the Put Date.
Negative Pledge and other Covenants	The Conditions will contain certain covenants (including a negative pledge), as further described in Condition 5.
Events of Default	For a description of the events that will permit the Notes to become immediately due and payable at their principal amount together with accrued interest, see Condition 10.
Status of the Notes	The Notes will constitute direct, unconditional and (subject to Condition 5.1) unsecured obligations of the Issuer and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5.1, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of each Guarantor under the Guarantee will constitute direct, unconditional and (subject to Condition 5.1), unsecured obligations of each Guarantor and shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5.1, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Withholding Tax	Pursuant to Condition 9, all payments of principal and interest by or on behalf of the Issuer or any Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the United Kingdom, the United States, Jordan, Egypt, Saudi Arabia or Portugal or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the relevant Guarantor(s) shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such

	additional amounts shall be payable in respect of any Note in the limited circumstances set out in Condition 9.
Meetings of Noteholders	The Conditions will contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.
Admission to trading	Application will be made to the London Stock Exchange for the Notes to be admitted to trading on the ISM. The ISM is not a regulated market for the purposes of MiFID II. The admission to trading of the Notes is expected to be effective on or about the Issue Date.
Governing Law	The Notes and any non-contractual obligations arising out of, or in relation to, the Notes, will be governed by, and construed in accordance with, English law.
Form and Denomination	The Notes will be represented by beneficial interests in the Global Certificate in registered form, without interest coupons attached, which will be registered in the name of Citivic Nominees Limited as nominee for, and shall be deposited on or about the Issue Date with a common depositary for and in respect of interests held through Euroclear and Clearstream, Luxembourg. The Notes will be issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.
Selling Restrictions	The United States, the EEA, the United Kingdom, Portugal, the Hashemite Kingdom of Jordan, Hong Kong, Singapore, Japan, Malaysia, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia, the State of Qatar, the Kingdom of Bahrain, the State of Kuwait and Egypt. See "*Subscription and Sale*" below.
Use of Proceeds	The Group intends to use the net proceeds of the issuance for general corporate purposes.
Risk Factors	There are certain factors that may affect the Issuer's and the Guarantors' ability to fulfil their obligations under the Notes and the Guarantee (as applicable). These are set out under "*Risk Factors*".
Ratings	The Notes are expected to be rated BBB- by S&P and Ba1 by Moody's.

RISK FACTORS

The purchase of Notes may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Notes.

The Issuer and the Guarantors believe that the following factors may affect their ability to fulfil their obligations under the Notes and the Guarantee (as applicable). All of these factors are contingencies which may or may not occur and neither the Issuer nor any Guarantor is in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer and the Guarantors believe may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer and the Guarantors believe that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer or the Guarantors may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons, and the Issuer and the Guarantors do not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Risks Relating to the Group's Products and Safety

1. A failure by the Group or any of its third-party suppliers to comply with regulations relating to pharmaceutical product quality could harm the Group's business

The Group is subject to extensive, complex, costly and evolving regulations governing the manufacturing, labelling, marketing and sale of pharmaceutical products in the countries where it manufactures and sells its products. The Group conducts its business primarily in the United States, Europe and the Middle East and North Africa ("MENA"), each of which regulates differently the controls required for formulation, processing, manufacturing, quality assurance, packaging, labelling, storage, distribution, marketing, record-keeping, post-launch monitoring, advertising, promotion and sale of the Group's products. While the regulations in the United States and Europe are to a certain extent aligned, the regulations across MENA are fragmented and vary by country.

The regulatory bodies in the jurisdictions where the Group operates rigorously monitor and enforce compliance by pharmaceutical companies with the relevant regulations. The Group's operations are subject to periodic inspections by the United States Food and Drug Administration (the "US FDA") and the relevant regulatory authorities in Europe and MENA. Plant inspections are conducted to determine whether the methods used by the Group 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 current good manufacturing practices ("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 the Group to modify certain activities identified during the inspection. Failure to comply with applicable regulations may result in regulatory actions, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production or distribution, postponement or suspension of the review of the Group's product applications, enforcement actions, injunctions and criminal prosecution, as well as reputational harm, reduced sales, failure to supply penalties and loss of market share.

The Group has in the past received only two warning letters from the US FDA (in 2012 and 2014) in respect of compliance issues at two of its manufacturing facilities, which have both been remediated and closed with the US FDA. While the Group has not been subject to any regulatory action since 2014, there can be no assurance

that this will remain the case in the future. If any of these risks materialise, the Group's revenue could be materially and adversely affected. In addition, the Group could incur substantial remediation costs.

The Group also has affiliations, licence agreements and other arrangements with third parties that depend on similar regulatory approvals of their processes and products, including in particular, the Group's active pharmaceutical ingredients ("API") suppliers which are subject to strict regulatory compliance and regular inspections by the US FDA and other regulatory authorities. If any of these third parties fails to comply with its regulatory requirements, the Group could be adversely affected if their non-compliance resulted in an interruption in the Group's supply of raw materials or ingredients, or in the case of any of the Group's licensors, it hindered the Group's ability to produce its in-licensed products. Any failure by the Group or any of its third-party suppliers or licensors to comply with governmental regulations, or any regulatory action taken against the Group, could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

Risks Relating to the Group's Industry, Competition and Commercial Arrangements

2. The Group could face financial and reputational risks for failing to meet its contractual supply commitments or for broader supply shortages in the pharmaceutical market

The Group could face financial and reputational risks for failing to meet its contractual commitments to supply its customers and/or if its products are part of broader supply shortages in the pharmaceutical market. If the Group is unable to meet its contractual commitments to supply its customers, then it could face contractual liability, including financial penalties. Furthermore, if the Group is unable to meet its supply commitments, it could harm the Group's customer relationships and reputation in the market, which could have an adverse effect on future sales opportunities (see "*—Generic and branded pharmaceutical products are sold through a limited number of distribution channels, the loss of which could have an adverse impact on the Group's sales*").

Additionally, the Group produces certain pharmaceutical products that currently face broader supply shortages in the pharmaceutical market. Supply shortages can generate significant patient safety risks when they occur with respect to life saving medicines with limited or no viable therapeutic alternatives. Shortages of products can have a negative impact on the confidence of patients, customers and professional healthcare providers, as well as the reputation of the Group, and may lead to lower product revenues. Government authorities and regulators in the United States, in the European Union and other agencies worldwide are considering measures to reduce these risks, such as through supply risk management plans for some products with high medical need. These ongoing initiatives, if imposed on the Group, could generate additional costs if they result in a requirement to establish further backup supply channels or to increase inventory levels to avoid shortages.

Any of these risks associated with the Group's failure to meet its supply commitments or supply shortages could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

3. The Group operates in a highly competitive industry

The pharmaceutical industry is highly competitive and is driven by a variety of factors, including price, quality, service levels, safety, efficacy, marketing, packaging and brand loyalty. The Group's products face intense competition from its competitors, which can adversely affect the Group's profitability, as the price of pharmaceutical products typically declines as competition increases. The Group's competitive position and its financial performance therefore depend, in part, on its ability to prolong the lifecycle of its existing drug product lines, as well as its ability to continuously develop new, more profitable products.

Certain of the Group's competitors are well-known pharmaceutical companies with substantial financial and other resources. Companies with more resources and larger research and development ("R&D") expenditures

have a greater ability to conduct the development work necessary for regulatory applications. The Group's products could, for example, be rendered obsolete or uneconomical through the development of new products or technological advances in manufacturing or production by the Group's competitors. The Group's competitors' products may also be, or be perceived to be, safer or more effective or more effectively marketed and sold than its products. The Group's competitors may also be able to sustain a deliberate substantial reduction in the price of their products or services for longer periods. This is likely to result in significant price pressure and a commoditised market, which, in turn, may reduce the Group's revenue and market share. In addition, certain of the Group's in-licensed patent-protected products may also be subject to competition from alternative treatment options during the period of patent protection or regulatory exclusivity, and, thereafter, may be subject to further competition from generic products.

As the pharmaceutical industry is also characterised by continuous product development and technological change, the introduction of competing products or new market participants in the Group's principal markets may make it difficult for it to increase its market share, compete effectively and maintain its profitability. In addition, in the United States, in particular, which accounted for 61 per cent. of the Group's revenue in the year ended 31 December 2019, competitive pricing pressures and accelerated generics approvals for competing products could, if not effectively managed, have a material adverse effect on the Group's financial performance.

Companies with patent-protected products may also pursue strategies to prevent, delay or eliminate competition from generic alternatives to their branded products. These strategies include, but are not limited to, launching a generic version of their own branded product or entering into agreements whereby other generic companies will begin to market an "authorised generic" at the same time or after generic competition initially enters the market; filing petitions with the US FDA or other regulatory bodies seeking to prevent or delay approvals, including timing the filings so as to thwart generic competition by causing delays; introducing "next-generation" products prior to the expiration of market exclusivity for the reference product, which can materially reduce the demand for the generic or the reference product; persuading regulatory bodies to withdraw the approval of branded name drugs for which the patents are about to expire and converting the market to another product of the brand company on which longer patent protection exists; obtaining extensions of market exclusivity by conducting clinical trials of brand drugs in paediatric populations or by other methods.

If the Group fails to effectively manage the competitive environment in which it operates, its business, financial condition, results of operation and its ability to perform its obligations under the Notes could be materially and adversely affected.

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

Based on industry practice in the United States, the Group has liberal return policies and has been willing to give customers post-sale inventory allowances. Under these arrangements, from time to time, the Group gives its customers in the United States credits on its products that its customers still hold in inventory if the Group has decreased the market prices of such products. Therefore, if additional competitors enter the marketplace and significantly lower the prices of any competing products, the Group would be likely to have to reduce the price of its comparable products. As a result, the Group 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.

In addition, like its competitors, the Group also gives credits for chargebacks to wholesalers who have contracted with the Group 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 the Group establishes reserves based on historical experience and

its best estimates of the impact these policies may have in subsequent periods, these reserves may not be adequate, and actual product returns, allowances and chargebacks may exceed the Group's estimates and could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

5. The Group is dependent on a limited number of products for a significant portion of its business

The Group's ability to generate revenue depends on the sales of a limited number of products. In the year ended 31 December 2019, the top ten products by core revenue accounted for 25 per cent. of the Group's core revenue, and the top ten products by core revenue in each segment accounted for 36 per cent. of the Injectables segment's core revenue, 58 per cent. of the Generics segment's core revenue and 42 per cent. of the Branded segment's core revenue. As a result, the Group's revenue and competitive position is vulnerable to the loss of market share attributable to its top selling products. In addition, pricing dynamics in respect of the top selling products are largely beyond the Group's control and are difficult to predict. Prices for these products may, therefore, be subject to significant fluctuations, which could in turn result in significantly reduced profitability and uncertainty about the level of rebates to customers.

In addition, sales in certain markets in which the Group operates (especially the United States) can be volatile depending on market opportunities and the availability of competing supplies of pharmaceutical products, particularly in respect of its top products. Capturing specific market opportunities in these markets can, from time to time, significantly affect the Group's results of operations. In light of these competitive threats, any loss of market share by the Group's top selling products, failure by the Group to diversify its product portfolio or failure to identify new market opportunities could have a material adverse effect on the Group's business, financial condition, results of operation and on the Group's ability to perform its obligations under the Notes.

6. Generic and branded pharmaceutical products are sold through a limited number of distribution channels, the loss of which could have an adverse impact on the Group's sales

The Group's products are distributed principally through contracted third parties or distributors and, in the United States, wholesalers. These contracted third parties in turn sell the Group'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. For the year ended 31 December 2019, 61 per cent. of the Group's core revenue came from the United States, where 37 per cent. of the Group's core revenue is attributable to three wholesalers. 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 the Group's products. In addition, on-going consolidation of wholesalers and distributors of pharmaceutical products in the United States increases these customers' bargaining power, which may result in the decline of the Group's revenue.

Because the Group does not market or distribute its products directly in most European countries and is prohibited from doing so by local laws in some MENA jurisdictions, it mostly distributes its products through third parties by way of agency and distribution agreements. In some MENA countries, the Group sells its products through a limited number of distributors. These arrangements may be terminated by either party providing the other with notice of termination or upon expiry of the contract governing the arrangement. If these arrangements are terminated, the Group may not be able to re-negotiate these third-party arrangements successfully or enter into new arrangements on commercially reasonable terms or at all.

The loss of a large wholesaler customer in the United States or of a significant distribution customer or sales representative in Europe or in the MENA region could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

7. The Group manufactures some of its products under licence from third-party pharmaceutical companies which could be terminated

The Group manufactures some of its products under licence from third-party pharmaceutical companies, with most of the in-licensed products concentrated in the Branded segment. For the years ended 31 December 2018 and 2019, in-licensed products accounted for 36 per cent. and 37 per cent. of the Branded segment's revenue, respectively.

The licence agreements for in-licensed products impose payment and other material obligations on the Group. Should it breach any of its obligations, the Group's counterparties may be entitled to terminate the licences. This may restrict, delay or eliminate the Group's ability to continue commercialising these in-licensed products.

The Group's failure to in-license new products or compounds for development and distribution, replace existing products as needed or to retain its currently in-licensed products on a commercially reasonable basis, or at all, could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

Risks Relating to the Group's Product Pipeline

8. The Group depends on its ability to develop, manufacture and successfully commercialise new products in a timely manner

The Group's future results of operations depend, to a significant extent, on its ability to develop, manufacture and successfully commercialise new products in a timely manner. This is particularly true in the case of its Generics segment due to the greater risk of price erosion and substitution by competing products. The development, manufacture and commercialisation process is both time consuming and costly and involves a high degree of business risk. The Group must develop, test and manufacture its products as well as successfully register its products in each relevant jurisdiction. All of the Group's products must meet and continue to comply with regulatory standards in each of the markets in which they are to be commercialised. There can be no assurance that the necessary regulatory approvals will be obtained in a timely manner, if at all. Delays in any part of the process or the Group's inability to obtain regulatory approval in respect of its products could adversely affect its operating results by limiting or delaying the introduction of new products. See "*—Obtaining regulatory agency approvals is time consuming and not assured*". If quality concerns arise with respect to a product, the Group may be forced to withdraw it from the market and could face legal action if any harm came from the use of its products. In addition, any action by the US FDA or other regulatory authorities resulting in a temporary suspension of all or part of the Group's R&D or manufacturing facilities could prevent the Group from the development of new products.

The successful development and manufacture of new products also depends on the Group being able to secure a sustainable supply of the required raw materials on a timely basis and on commercially reasonable terms, and there can be no assurance that this will always be the case. New products, once introduced to the marketplace, may also fail to perform as expected or may face greater than expected competition, as a result of which they may be unable to achieve their planned value. In addition, there can be no assurance that the Group's new products will be adopted by the medical community in the Group's target markets.

Should any of the foregoing risks materialise, it could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

9. Obtaining regulatory agency approvals is time consuming and not assured

The Group must obtain an approval from the regulatory agencies in each country in which it operates prior to manufacturing or marketing new pharmaceutical products. The process for obtaining regulatory agency approval to manufacture and market pharmaceutical products is rigorous, time consuming and costly. In the United States, depending on the area and therapeutic category, issuance of an approval under the Generic Drug User Fee Amendments ("GDUFA"), the US FDA's programme to support regulatory review of new prescription generic drugs, typically takes eight to ten months and may take several years. For example, the abbreviated new drug application ("ANDA") for fluticasone propionate and salmeterol inhalation powder (a generic version of Advair Diskus® developed by the Group) was submitted for approval in 2016; however, due to the complexities of the product, the ANDA has not yet been approved. As the timeframe and outcome of pharmaceutical product approvals is uncertain, the Group may be unable to realise the expected revenue and market share associated with new products as forecast, or at all. To the extent that the Group is unable to secure timely approvals for new products, it will depend on its existing products to maintain its revenue. With the disruption arising from the coronavirus disease 2019 ("COVID-19") pandemic, there is additional uncertainty on the impact on expected timeframes for regulatory approval in the short and medium-term.

Moreover, if the Group obtains regulatory approval for a pharmaceutical product, the Group may be limited with respect to the indicated uses for which the product may be marketed, which could in turn restrict its potential market opportunity. The approval may be revised upon future identification of safety, efficacy or other problems with the product, leading to restriction on its use, or it may be required to be withdrawn from the market. An inability to obtain on a timely basis and/or maintain regulatory approvals for the Group's products could therefore have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

Risks Relating to the Group's Operations, Manufacturing and Supply Chain

10. The ongoing impact and longer-term uncertainty of the COVID-19 pandemic could have a material adverse effect on the Group's business and supply chain

The ongoing impact and longer-term social, economic, and political consequences of the COVID-19 pandemic are still largely uncertain and may result in more extreme conditions than those experienced to date, or, as yet unforeseen challenges that could harm the Group's business, directly impacting the Group's people (including senior management, specialists and employees in critical roles) and/or its business operations (mainly through changes to industry dynamics, changing regulations from governments designed to reduce exposure to global supply chains, increased payor cost-containment measures, restrictions on due diligence activities, etc.). In particular, the COVID-19 pandemic has the potential to affect the supply chain of final products to the Group's customers.

The Group purchases its API from a network of diversified suppliers all over the world. In response to COVID-19, certain restrictions on exports of API or other raw materials that are required for production of the Group's products were introduced for a period of time. These restrictions did not impact the Group materially; however, they may be reintroduced with more severe conditions involving additional API. The Group has alternate sourcing plans and stocking strategies that cover the API it requires to manufacture its most significant products. In addition, some of the Group's API are used in manufacturing in-licensed products, for which the supply chains are managed by the licensor. The Group has limited access to information on how its licensors source and secure their API supply chain. In addition to API, there is a risk of shortages of other key components required to manufacture the Group's products.

The Group typically maintains several months and, in some cases, up to a year of inventory of finished goods, API and other components required for the Group's R&D, manufacturing and operational processes. If the

ongoing impact and longer-term consequences of the COVID-19 pandemic were to result in export bans or shortages of supply in the countries from which the Group sources its API and other raw material and packaging, the Group's inventories could be adversely affected. The Group may not be able to develop alternate sourcing quickly enough, on favourable terms, or at all, which could require the Group to alter production schedules or suspend production entirely.

Furthermore, the Group operates manufacturing facilities in the MENA region, Portugal, Germany, Italy and the United States. If the COVID-19 outbreak were to result in restrictions impacting these facilities, the Group may need to temporarily suspend production and/or close facilities, for the health and safety of its employees, customers and the communities in which they are based.

The Group also depends on its sales force to promote and sell products. In response to COVID-19, the Group's sales teams have adjusted the ways in which they reach healthcare providers, which could potentially impact the Group's ongoing relationships with its customers. If the Group is unable to effectively maintain its relationships with its customers, it could experience a decrease in sales.

Any failure by the Group or any of its third-party suppliers, contract manufacturers or licensors to maintain business continuity in light of challenges related to COVID-19, or any other pandemics that may arise, could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

11. The Group's operations and those of its contract manufacturers can be disrupted by accidents, equipment malfunctioning or other unexpected events

If one or more of the Group's and/or its contract manufacturers' facilities were to suffer a serious accident, equipment malfunction or other unexpected event (such as an earthquake, fire or explosion), a part of the Group's and/or its contract manufacturers' manufacturing capacity could be jeopardised, and the Group's results of operations could be materially adversely affected until the Group repaired or found a replacement for the facility and/or machinery. For example, in 2019 a fire broke out at one of the Group's warehouses in Jordan. While the fire did not have a material impact on the Group's business, it resulted in US$17 million of losses related to damaged inventory and the cost to remediate property, plant and equipment. As at 31 December 2019, the Group had already received advance payment of the insurance compensation of US$4 million, resulting in a net exceptional expense of US$13 million. The Group has since received a further US$1 million and expects to receive the final insurance compensation in second half of 2020, although the final amount of the insurance claim has not yet been determined. While the Group maintains insurance to cover any property and other material losses in amounts that it believes are appropriate for its business, depending on the risk and type of asset or property insured, any losses related to a serious accident, equipment malfunction or other unexpected event could exceed the amount of this coverage.

In the case of such an event, a failure to manage crisis and continuity management effectively could lead to a more prolonged business disruption, greater damage to the Group's and/or its contract manufacturers' facilities, and a greater risk of supply disruption. If a disruption or interruption occurs and the Group is not able to resume normal operations within a period consistent with industry standards, the Group's business reputation and relationships could suffer harm. While the Group has continuity and crisis management controls in place, there is no assurance that the Group can adequately mitigate the disruptive risks posed by crisis incidents.

Furthermore, the refurbishment or reconstruction of any of the Group's or its contract manufacturers' facilities or the use or construction of new facilities could be subject to regulatory approval by the competent health authorities of the jurisdictions in which they are located as well as the health authorities of some or all of the jurisdictions to which products from such facilities are exported, which could result in significant delays in the resumption of manufacturing. If any of the above were to materialise, it could have a material adverse effect on

the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

12. The Group's contract manufacturing partners may fail to meet quality standards

While the Group manufactures most of its products, others are manufactured by the Group's contract manufacturing partners. Although the Group is ultimately responsible for ensuring that its products are manufactured in accordance with cGMP, it does not control the day-to-day activities of, and is completely dependent on, the contract manufacturing partners for their compliance with cGMP requirements.

If any of the Group's manufacturing partners cannot successfully manufacture materials that conform to the Group's specifications and/or the strict requirements of the relevant regulatory authorities, the Group and its manufacturing contractors may not be able to secure and/or maintain the regulatory approval(s) required to sell certain products. If the US FDA or other regulatory authority does not qualify a facility for the manufacture of the Group's products or if it withdraws qualification in the future, the Group may need to find alternative manufacturing facilities, although there can be no assurance that it will be able to do so in a timely manner or at all. Furthermore, the occurrence or suspected occurrence of a contract manufacturer failing to comply with the Group's specifications can lead to lost inventories, and, in some cases, product recalls and enforcement action, with consequential damage to the Group's reputation and the risk of product liability. The investigation and remediation of any identified problems can cause manufacturing delays, substantial expense, lost sales, failure to supply penalties and the delay of new product launches.

Any of the risks described above could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

13. A disruption in the Group's supply chain may result in the Group being unable to continue marketing or developing its products or result in it being unable to do so on commercially viable terms

The Group's ability to develop and produce pharmaceutical products depends on its ability to procure API, other ingredients and special packaging materials from sources qualified by regulatory authorities, including the US FDA. While the Group uses a variety of raw materials to manufacture its products, API remain the most important component. The global pharmaceutical business is characterised by a limited number of certain API suppliers. This is particularly the case in respect of the supply of sterile products, where it is not uncommon for API to be supplied by either a single supplier or a limited number of suppliers. When no other API alternative exists on the market, the Group manages its inventory level to reduce its risk exposure level. Despite the exposure to single sources for API, continuity of supply has been maintained during significant challenges presented by COVID-19.

The Group's API suppliers are subject to regular inspections by regulatory authorities, as well as the Group's quality control teams. Whenever the Group decides or needs to qualify a new supplier (e.g. to launch a new product, to remain competitive, to reduce its risk exposure or otherwise), the new supplier and its products must be qualified by the appropriate regulatory authority and the Group's internal technical and quality control teams. While the Group aims to have more than one API supplier in respect of its key products, the procedure for approving a new API supplier is lengthy and, in certain cases, may take from one to two years. A disruption to the Group's API supplies may result in lost sales, an inability to launch new products and, consequently, a decrease in financial performance.

In addition, if the Group imports API or other raw materials, those imports are subject, in some instances, to customs and other government clearance and duties and regulation by their countries of origin. Any shipment of API or other raw materials from overseas may be affected by factors beyond the Group's control and are

hard to predict, such as political instability and currency fluctuations. Also, the prices of API may fluctuate sharply over time.

The occurrence of any of the risks described above could have a material adverse effect on the Group's business, financial condition, results of operations, as well as the Group's ability to perform its obligations under the Notes.

14. The Group is exposed to the risks of doing business in the MENA region

In the years ended 31 December 2017, 2018 and 2019, 33 per cent., 32 per cent. and 33 per cent., respectively, of the Group's revenue was attributable to countries in the MENA region. The Group is exposed to a variety of risks associated with doing business in this region. In recent years, certain countries in the region have experienced geo-political and macroeconomic turbulence which has resulted in increased inflation rates, a slowdown of economic growth, currency depreciation and/or a shortage of foreign currency reserves. More recently, armed conflicts have caused disruption to the economies of several countries across the region, including Syria. While the Group's operations have not been significantly affected by the on-going volatility, there can be no assurance that the regional conflicts and protests, including in Lebanon, Algeria and Sudan, will not cause disruptions to the Group's operations and adversely affect its financial condition and prospects.

The Group's business in the MENA region may also be affected by limitations on the repatriation of income, capital and other assets; currency restrictions; longer credit terms offered to customers from the MENA region in accordance with the prevailing market practice in the region (which may cause delays in collecting payment from these customers); adverse regulatory or legislative developments in the MENA markets; and the interruption or curtailment of trade between countries in the MENA region, the United States and/or the states of the European Union and/or the Group's trading partners. Additionally, certain governments in the MENA region have introduced regulations to protect local companies and promote local manufacturing by restricting the importation of products when there are locally manufactured substitutable products. These regulations could prevent the Group from selling its products in countries with these restrictions where the Group does not have manufacturing facilities, were a local manufacturer to start producing products that meet the same healthcare need. The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

15. The Group's business could suffer if it is unable to identify suitable acquisitions or if it fails to successfully integrate and realise the expected benefits of businesses or assets it acquires

The Group has historically grown organically and through the selective acquisition of companies, parts of companies or assets that it believes possess products, R&D expertise, manufacturing capabilities and/or technologies that will complement or enhance its existing portfolio and operations, and create value for its shareholders. If it fails to identify viable acquisition targets, its growth potential could be adversely affected. Acquisition strategies entail certain risks, including the challenge of realising the expected benefits of the acquisitions and the incurrence of unexpected liabilities and obligations. While the Group conducts due diligence in connection with proposed acquisitions, it is possible that legal, tax, operational or other risks, some of which may be unknown or undisclosed to the Group at the time of the acquisition, may materialise or have more severe consequences than anticipated.

In addition, acquisition costs are subject to the risk of impairment as the consideration paid may be greater than the target's ultimate value. For example, in 2017 the Group took an impairment charge of US$1,084 million to reflect a revaluation of its 2016 acquisition of the Columbus, Ohio facility and the entities now known as West-Ward Columbus Inc. and Hikma Labs Inc. from Boehringer Ingelheim Corp. (the "Columbus Acquisition"), which reflected the unanticipated scale of challenging conditions that developed for the US generics industry and the Group's US business subsequent to the transaction.

Acquiring additional businesses can also place increased pressure on the Group's cash flows, especially if the acquisition is paid for using the Group's operational free cash. While the Group has a track record of effectively using various funding options to finance its acquisitions, an acquisition of a large-scale target may entail significantly higher than anticipated financing-related risks and may significantly increase the Group's financing costs and leverage if financed with debt. In addition, recognition of staggered purchase price payments (as is common in the pharmaceutical industry) in the Group's financial statements would be subject to a number of practical difficulties and, as such, may require substantial management time and resources.

The success of the Group's acquisition strategy depends, among other things, on the effective integration of the technologies, products and businesses it acquires. The integration of an acquisition may strain the Group's management resources, distract the Group's managers from their current tasks and/or require additional management resources to be deployed by the Group, especially where a large-scale acquisition is involved. Although the Group believes that its current managerial, administrative, technical and financial resources are capable of supporting future acquisitions, there can be no assurance that its existing resources will be sufficient for this purpose, or that the Group will be able to acquire necessary additional resources on commercially acceptable terms or at all. In addition, the Group may fail to realise the anticipated synergies associated with an acquisition in a timely manner or at all. There is also a risk that key employees necessary to successfully integrate acquired businesses and/or commercialise acquired products and technologies may seek employment elsewhere, including with the Group's competitors.

Any failure by the Group to acquire, maintain and deploy adequate management, sales, administrative, technical and financial resources to support its expansion could undermine its acquisition strategy and have a material adverse effect on the Group's business, financial condition, results of operations and on its ability to perform its obligations under the Notes.

16. The Group is reliant on the continued operation of its information technology systems

The Group's operations, including research, development, manufacturing, accounting, storage and delivery, are highly dependent on its information technology systems. These systems have been, and are expected to continue to be, the target of malware and other cyber-attacks, which could lead to business interruption, information theft, legal claims and liability, regulatory penalties and/or reputational damage.

Among other things, the Group's information technology systems are vulnerable to software or hardware malfunctions, physical damage to vital data centres and computer virus infection. In addition, the Group's information technology systems require regular upgrades to accommodate expansion of its business and to maintain the efficiency of its operations. At the same time, the increasing use of cloud-based applications to store and process the Group's data has made the Group increasingly reliant on the resilience of third-party operations. If the Group's information technology systems fail, it could experience significant business and operational delays, particularly in respect of its research, development, manufacturing, accounting and billing processes, any of which would have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

17. The Group may be unable to retain senior management, specialists and employees in critical roles

The Group is highly dependent on the principal members of its senior management, particularly those with specialist knowledge and skills (for example, scientific, technical and sales). Most of the Group's employment agreements with senior management include non-competition and non-solicitation provisions and provide for specified notice periods. However, these agreements are subject to applicable local laws, and the Group may not be able to enforce their terms. The loss of any member of the senior management team or any other key employee may significantly delay or prevent the achievement of the Group's business objectives.

The Group also depends on its sales force to market and sell its products in some of the markets where it operates, and the success of its sales and marketing efforts depends to a significant extent on the professional relationships between its sales representatives and their customers. Due to the specialised scientific nature of the Group's business, the Group is also dependent, in particular, upon its ability to attract and retain qualified scientific and technical personnel.

In the MENA region, the dominance of public sector jobs and substantial governmental interventions may make it difficult for the Group to secure a local workforce having the skills necessary to run its business. For example, due to restrictions imposed by certain countries (most notably, in Saudi Arabia) on business immigration, it may be difficult for the Group to replace local expertise and to staff its operations in this market. In addition, local and international competition for highly skilled employees can result in high turnover.

The loss of any key personnel and/or the inability to attract and retain the highly skilled employees required for the Group's activities could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

18. Industrial action or adverse labour relations could disrupt the Group's operations and have an adverse effect on its operating results

The Group's operations depend on employees who are parties to national or local collective bargaining arrangements or benefit from local applicable law, regulation or custom regarding employee rights and benefits. For example, approximately 7 per cent. of the Group's employees are represented by unions. If the Group is unable to maintain satisfactory employee relations or negotiate acceptable labour agreements in the future, it could be exposed to work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs) at any or all of its global facilities.

While the Group believes that it has good relations with its unions and employees generally, there can be no assurance that the Group will not experience adverse labour situations in the future, any of which could have a material adverse effect on the Group's business, financial condition, results of operation and on the Group's ability to perform its obligations under the Notes.

Risks Relating to Regulation, Litigation and Ethics

19. Public concern over the abuse of opioid medications in the United States, including increased legal action, could negatively affect the Group's business

The Group is currently litigating hundreds of civil claims brought by various states, political subdivisions, payor groups and private claimants against various manufacturers, distributors and retail pharmacies and others throughout the United States, including in various state and federal courts, and Canada. These claims are brought against the Group in connection with its manufacture, sale and distribution of opioids. The lawsuits assert a variety of claims, including, but not limited to, public nuisance, negligence, civil conspiracy, fraud, violations of the Racketeer Influenced and Corrupt Organizations Act or similar state laws, violations of state controlled substances acts or state false claims acts, product liability, consumer fraud, unfair or deceptive trade practices, false advertising, insurance fraud, unjust enrichment and other common law and statutory claims arising from defendants' manufacturing, distribution, marketing and alleged promotion of opioids, and seek restitution, damages, injunctive and other relief and attorneys' fees and costs. Responding to and managing lawsuits is costly and involves a significant diversion of management attention. These proceedings are unpredictable, may develop over lengthy periods of time, and the ultimate number of proceedings in which the Group may be named is not known. An adverse resolution of any of these lawsuits may involve substantial monetary penalties, could influence the outcome of other related proceedings and could have a material and adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

Furthermore, various government entities, including the US Congress, US Department of Justice and various state Departments of Justice, Drug Enforcement Administration, state legislatures or other policy-making bodies or investigative agencies have in the past and may in the future hold hearings, conduct investigations and/or issue reports calling attention to the opioid crisis, and may mention or criticise the perceived role of manufacturers, including the Group, in the opioid crisis. Additionally, in the current climate, stories regarding prescription drug abuse and the diversion of opioids and other controlled substances are frequently in the media. Unfavourable publicity regarding the use or misuse of opioid drugs, the ability of drug abusers to discover previously unknown ways to abuse opioid products, public inquiries and investigations into prescription drug abuse, litigation or regulatory activity regarding sales, marketing, distribution or storage of opioids could have a material adverse effect on the Group's reputation and impact on the results of litigation.

In addition, legislative, regulatory or industry measures to address the misuse of prescription opioid medications may also affect the Group's business in ways that are difficult to predict. For example, states are considering legislation that could require entities to pay an assessment or tax on the sale or distribution of opioid medications in those states and may vary in the assessment or tax amounts and the means of calculation. If state or local jurisdictions successfully enact such legislation and the Group is not able to mitigate the impact on its business through operational changes or commercial arrangements, such legislation in the aggregate could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

20. The Group may be exposed to product liability claims that could cause it to incur significant costs or require it to stop selling certain products

The pharmaceuticals industry is characterised by high levels of product liability claims. Generic pharmaceutical companies such as the Group 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 the Group, the risk of product liability claims is more significant with respect to those products manufactured by the Group 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.

Product liability lawsuits could be costly to defend, and could result in reduced sales, substantial monetary awards to clinical trial participants or customers, harm to the Group's brand, the inability to commercialise products that the Group develops and diversion of management's time, attention and resources. Considerable sums in damages have been awarded in certain countries against pharmaceutical companies due to physical harm allegedly caused by the use of certain products (including prescription drugs and medical devices). Product liability claims may force the Group to withdraw some of its products from the market, thus creating potential for further claims. Regardless of merit or eventual outcome, liability claims would likely result in negative publicity, decreased demand for any products that the Group may develop, injury to its reputation and suspension or withdrawal of clinical trials and require the Group to incur significant legal fees. The Group currently has insurance coverage for product liability claims. However, its insurance may not cover specific products or be sufficient to cover a significant product liability claim. Furthermore, at any time, insurance coverage may not be available to the Group on commercially reasonable terms or at all.

A failure by the Group to successfully defend a product liability lawsuit could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

21. The Group is exposed to existing and future healthcare cost-containment reform measures

In various countries where the Group operates, government health authorities provide healthcare at low direct cost to patients and regulate pharmaceutical prices or patient reimbursement levels to control costs for the government-sponsored healthcare system. The continuing increase in healthcare expenditure has therefore been

the subject of considerable government attention in almost every country in which the Group operates. Further, in recent years, the increasing average age of the population and the associated increasing demand for pharmaceuticals has led to rising healthcare costs. In addition, patients around the world have responded to challenging economic conditions by decreasing the amount they spend on pharmaceutical products, by delaying treatment or skipping or splitting doses.

Increasing expenditure on healthcare has been, and is expected to continue to be, the subject of considerable public attention in the United States and globally. In recent years, the global healthcare regulatory framework has been subject to continuous reforms. The primary focus of these reforms has been to introduce cost-containment measures and optimise governmental healthcare spending. Measures implemented in line with these reforms, such as government-mandated price cuts in the MENA region, are fragmented and vary by country.

In the United States, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (the "Affordable Care Act"), has increased the government's role with respect to price, reimbursement and coverage levels for healthcare services and products. This law also imposed rebates and fees on pharmaceutical companies. In May 2018, President Trump's administration published its American Patients First proposal, which indicates its plans to investigate the Affordable Care Act's impact on private market drug prices and potentially alter the taxes and rebates for Medicaid and Medicaid managed care organisations. In December 2018, a US federal district court ruled that the Affordable Care Act was unconstitutional, but the decision was stayed and will not take effect while it is being appealed. In addition to further judicial review of the Affordable Care Act, President Trump's administration and other United States federal and state officials are continuing to focus on the cost of health care and pharmaceuticals, which creates significant risks for the sector. For example, at the federal level, the Bipartisan Budget Act of 2018 amended the Affordable Care Act, with effect from 1 January 2019, to close the coverage gap in most Medicare drug plans, and also increased the percentage by which drug manufacturers must discount the cost of prescription drugs from 50 per cent. to 70 per cent. Furthermore, between 2017 and 2018, at least seven states enacted, and an additional 22 states proposed legislation, which will require price transparency and reporting of certain manufacturer information. Healthcare laws in the United States continue to evolve rapidly and may change significantly in the future. In particular, there can be no assurance that following the 2020 US presidential election, the landscape of the US healthcare system will not undergo further changes that adversely affect the pharmaceuticals industry, including the Group.

In Europe, certain countries have introduced numerous austerity measures to lower healthcare spending, including mandatory discounts, clawbacks and price referencing rules. Germany introduced new systems to determine the cost effectiveness of drugs, which will decide the reimbursement level for a drug. Certain countries also slashed their healthcare expenditure budgets or fixed them at a particular amount. Further, mandatory price cuts were introduced in respect of both generic and patented drugs, and tax exemptions on critical drugs (e.g., orphan drugs) were reduced.

Further regulation of the healthcare industry may affect the Group in a number of ways. Cost control initiatives could decrease the price that the Group receives for its products, which could disincentivise the Group from developing and marketing new products. Existing regulations that affect the price of pharmaceutical and other medical products may also change before the Group's products are approved for marketing. In addition, third-party payors 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. The Group's products may not be considered cost effective or adequate third-party reimbursement may not be available to allow the Group to maintain price levels sufficient to realise an adequate return on its investment. The cost of complying with new government regulations can also be substantial and, absent being able to pass these costs in whole or in part to consumers, could adversely affect the Group's profitability.

The governments of the countries in which the Group operates may, in the future, implement further regulations that impose additional pressure on the price of pharmaceutical products. The impact of these measures, as well as the factors described above, could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

22. Third parties may claim that the Group infringes their proprietary rights and may prevent the Group 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, in particular in the United States. 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, methods of use or manufacturing processes relating to a final dosage product, but formulations, drug delivery devices, polymorphs and API production processes as well. While the Group believes that its product offerings do not infringe, in any material respect, upon proprietary rights of other parties and/or that meritorious defences would exist with respect to any assertions to the contrary, there can be no assurance that, if an intellectual property infringement claim were asserted against the Group, it would not be found to infringe on the proprietary rights of others. The Group 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.

Unlike the United States or Europe, patent regulations in the MENA region are highly fragmented and vary by country. These regulations may be subject to frequent changes with limited notice and may be open to different interpretations. In recent years, large international originator companies have been filing patent applications in various countries across the MENA region, thus creating grounds for disputes over infringements of their patent or proprietary rights. As a result, the Group may be prevented from developing and marketing certain products in the MENA region, which may have a material adverse effect on its business and financial condition. See also *"—The Group is exposed to the risks of doing business in the MENA region"*.

The Group anticipates that an increasing number of its ANDA filings with the US FDA may include one or more Paragraph IV certification(s) (allowing the Group to market a generic drug before the patents for the related originator drug expire) on the basis that there is at least one patent listed in the US FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (the "Orange Book") covering the originator product but that either the Group's product does not infringe the patent(s), and/or the patent(s) may be invalid or unenforceable. This may result in an increase in Paragraph IV patent litigation, which could result in an increase in litigation costs for the Group.

The outcome of intellectual property-related proceedings could adversely affect, hinder, delay or prevent the manufacture, use, marketing or sale of the Group's products or processes. The Group may also be required to pay substantial damages or change its product offerings or expend significant resources to develop non-infringing products or processes. Any of these outcomes could affect the Group's ability to compete or have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

23. The Group is a party to lawsuits and investigations with respect to matters relating to its business, pricing and other matters

The Group is subject to lawsuits and investigations from third parties, including government regulators, enforcement agencies and private parties, with respect to matters relating to its business, competition, pricing and other matters. Starting in 2016, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of generic drug products, including doxycycline and digoxin, as well

as several individual direct purchaser opt-out plaintiffs. These complaints, which allege that the defendants engaged in conspiracies to fix, increase, maintain and/or stabilise the prices of the multiple generic drug products named in the complaints, have been brought against various defendants, including the Group. The plaintiffs generally seek damages and injunctive relief under federal antitrust law and damages under various states laws. Relatedly, the Group received a subpoena from a US state attorney general and a subpoena from the US Department of Justice in 2017, and in 2018, the Group received a civil investigative demand from the US Department of Justice requesting information related to products, pricing and related communications. The Group is cooperating with all such demands.

New claims continue to arise in the ordinary course of the Group's business, which are assessed on a case by case basis. It is not possible to predict the ultimate outcome of any such complaints, investigations or claims or what other investigations or lawsuits or regulatory responses may result from such assertions. A failure by the Group to successfully defend these lawsuits or any of the above developments could result in reputational harm and reduced market acceptance and demand for the Group's products, could harm the Group's ability to market its products in the future, could cause the Group to incur significant damages and expenses, and could cause senior management to be distracted from execution of the Group's business strategy, any of which could have a material adverse effect on the Group's business, reputation, financial condition, results of operations, and on the Group's ability to perform its obligations under the Notes.

24. Failure by the Group to comply with anti-bribery and anti-corruption regulations may harm its business

The Group is subject to a variety of anti-bribery and anti-corruption regulations. The pharmaceutical industry and certain markets in which the Group operates, particularly within the MENA region, are considered higher risk in relation to business practices and related anti-corruption and anti-bribery violations. While the Group believes that it has implemented adequate anti-bribery and anti-corruption measures, there can be no assurance that these measures will operate as intended or will continue to be adequate in the future or that its employees and agents will not engage in conduct in violation of its policies and procedures, for which the Group might be held responsible. If the Group's employees or agents are found to have breached the applicable anti-bribery and anti-corruption regulations in any jurisdiction, this could seriously damage the Group's reputation, as well as result in the Group's licenses and permits being revoked or suspended and civil and/or criminal sanctions, including monetary penalties, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

25. The Group is subject to data privacy laws and relies on its own data protection procedures and on third parties to maintain appropriate levels of confidentiality

The Group is subject to laws and regulations governing the collection, use and transmission of personal information, including health information. As the legislative and regulatory landscape for data privacy and protection continues to evolve around the world, there has been an increasing focus on privacy and data protection issues that may affect the Group, including the EU's General Data Protection Regulation ("GDPR") and the California Consumer Privacy Act of 2018, and other laws and regulations governing the collection, use, disclosure and transmission of data. Although the Group has implemented policies and procedures governing data protection and privacy, there is no assurance that these measures will be successful. If the Group was found to be in violation of data privacy law or regulation the Group could suffer reputational damage and incur liability, including significant regulatory fines.

The Group also seeks to maintain the confidential nature of its confidential information through contractual provisions in its agreements with third parties, including in agreements with clinical research organisations that manage the Group's clinical studies for its investigational drug candidates and third parties involved in the Group's pharmacovigilance procedures. These clinical research organisations may fail to comply with their

confidentiality obligations or may be required as a matter of law to disclose the Group's confidential information. As the success of the Group's clinical studies depends in large part on its confidential information remaining confidential prior to, during and after a clinical study, any disclosure or breach affecting that information could affect the outcome of a clinical study. A failure by the Group's or one of its contractual third parties to adequately protect its data could have a material adverse effect on the Group's business, financial condition and results of operations and on the Group's ability to perform its obligations under the Notes.

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

A portion of sales of the Group's pharmaceutical products is sold outside the relevant products' country of manufacture. 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 the Group'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 the Group or its subsidiaries have done or currently 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. These regulations and their enforcement have affected and could continue to affect the Group's sales in the affected countries. In addition, failure to comply with these 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 have a material adverse effect on the Group's business, financial condition, results of operation and on the Group's ability to perform its obligations under the Notes.

27. The Group's failure to comply with environmental, health and safety laws and regulations may expose it to litigation risk, business interruption and/or regulatory enforcement

The Group's product development programmes and manufacturing processes involve the use of chemicals and include hazardous or toxic materials. These programmes and processes expose the Group 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 were to occur, or if contamination caused by prior operations were discovered, the Group could be liable for clean-up obligations, damages or fines, which could have a material adverse effect on its business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes. The environmental laws of many jurisdictions in which the Group operates may impose potential obligations

on the Group to clean up contaminated sites. These obligations may relate to sites that the Group 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 the Group's operating results. In particular, any financial accruals which the Group may make for these obligations might be insufficient if the assumptions underlying the accruals proved to be incorrect, or if the Group is held responsible for additional contamination.

Stricter environmental, health and safety laws and enforcement policies could result in substantial costs and liabilities for the Group, 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, which could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

28. The Group is subject to healthcare fraud and abuse regulations in the United States that could result in significant liability and require the Group to change its business practices and restrict its operations in the future

The pharmaceutical industry is subject to various supranational, national, federal and state laws in the United States 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 programmes, including Medicare, Medicaid and Veterans' Administration health programmes. These laws and regulations are broad in scope and are subject to evolving interpretations, which could require the Group to alter one or more of its sales or marketing practices. While the Group believes it has implemented appropriate preventative measures, there can be no assurances that its employees and agents will not engage in conduct in violation of these laws, for which the Group might be held responsible. Any violations of these laws, or allegations of such violations, could disrupt the Group's business and result in a material adverse effect on the Group'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, therefore, 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 programmes.

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 programme administered jointly by the federal and state governments. As far as management are aware, the Group is not the subject of any such investigations. However, the Group 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. Any successful claims against the Group could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

Risks Relating to the Group's Financial Results

29. Fluctuations in exchange rates may adversely affect the Group's business and results of operations

The Group operates in the United States and across a number of countries in Europe and the MENA region. In addition, the Group makes purchases and sales in other countries. Accordingly, some of the Group's revenue, expenses, assets and liabilities are in currencies other than the US dollar (the Group's reporting currency) and, as such, the Group's results are subject to exchange rate risks. To the extent that the Group incurs expenses in one currency but generates revenue in another, any change in the values of those non-US dollar currencies relative to the US dollar could cause the Group's profits to decrease or its products to be less competitive than those of its competitors. To the extent that the Group's financial assets that are denominated in currencies other than the US dollar are greater or less than the Group's financial liabilities denominated in such non-US dollar currencies, the Group will be exposed to the risk of fluctuations and movements in the foreign exchange markets. This could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

30. A failure in financial control could undermine the Group's ability to prevent fraud or provide accurate disclosure of financial information.

Effective internal controls are necessary for the Group to provide reliable financial reports and forecasts and are designed to prevent and detect fraud. Lapses in controls and procedures could undermine the Group's ability to prevent fraud or provide accurate disclosure of financial information on a timely basis. The Group's internal testing of its internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements and may not prevent or detect misstatements. Significant resources may be required to remediate any lapse or deficiency in these internal controls. Any deficiency may also trigger investigations by regulators and may result in fines being levied against the Group and/or individual directors or officers, which could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

Risks Relating to the Group's Reputation

31. The Group's future business success depends on its ability to maintain its reputation

The Group believes that market perception of its brand, which is associated with the safety, quality and continuity of supply of its products, and its level of customer service, is among the most important drivers of its success, particularly as the Group leverages its strong brand image to achieve premium pricing and enhance its margins.

Any quality, safety or continuity of supply issues concerning the Group's products could have a materially adverse effect on its business, financial condition and results of operations and may subject it to regulatory actions, including product recalls, product seizures, injunctions to halt manufacture and distribution, restrictions on its operations, monetary sanctions, civil or criminal sanctions and could subject the Group to costly litigation. Moreover, it could cause a decrease in the perception of the quality of the Group's products which could damage its image and reputation as a pharmaceutical company and also damage the image and reputation of its brands. In certain markets the Group also relies on third-party partners for marketing, distribution and manufacturing services and its reputation may therefore depend on such third parties over which the Group does not exercise direct control.

In recent years, the pharmaceutical industry has been the subject of negative publicity regarding the pricing of pharmaceutical products, both newly developed and generic, in the United States and elsewhere. Any public pressure to lower the cost of pharmaceutical products could result in reputational harm and reduced market

acceptance and demand for the Group's products or pricing, which could adversely affect the Group's sales and revenue.

Furthermore, the pharmaceutical industry increasingly relies on social media, new technologies and digital tools to communicate about the benefits and efficiency of pharmaceutical products, and negative or inaccurate posts or comments about the Group or its products on social media could damage its reputation.

If the Group is unable to successfully protect and promote the quality and reputation of its brands, the market perception of its brands may deteriorate, and the Group may not be able to maintain its current prices and/or sales volumes, or employ these brands to introduce new products or enter new markets, any of which could have a material adverse effect on the Group's business, financial condition, results of operations and on the Group's ability to perform its obligations under the Notes.

Risks relating to the Notes and the Guarantee

32. The Notes are unsecured obligations and the claims of the Noteholders will rank behind the claims of the Issuer's secured creditors.

The Notes are unsecured obligations of the Issuer. Investors should be aware that if the Issuer becomes insolvent, any of the Issuer's assets which are the subject of a valid security arrangement will not be available to satisfy the claims of any of the Issuer's unsecured creditors, including holders of the Notes and the claims of the Issuer's secured creditors will rank ahead of the claims of the Noteholders accordingly.

33. The Guarantee constitutes unsecured obligations and the claims of the Noteholders under the Guarantee will rank behind the claims of the Guarantors' secured creditors.

If any Guarantor becomes insolvent, any of that Guarantor's assets which are the subject of a valid security arrangement will not be available to satisfy the claims of any of that Guarantor's unsecured creditors, including holders of the Notes and the claims of that Guarantor's secured creditors will rank ahead of the claims of the Noteholders accordingly.

34. Under certain circumstances and pursuant to the Conditions, the Guarantors may represent less than 70 per cent. of the Consolidated Core EBITDA of the Group.

Pursuant to Condition 5.4, the aggregate of earnings before interest, tax, depreciation and amortisation of each of the Guarantors (in each case, calculated on an unconsolidated basis and excluding all intra-group items but otherwise calculated on the same basis as Consolidated Core EBITDA (as defined in the Conditions)) shall represent not less than 70 per cent. of the Consolidated Core EBITDA of the Group. Where such threshold is not met, each of the Issuer and the Guarantors must ensure that one or more of the Company's subsidiaries that are not Guarantors become Guarantors to the extent necessary to ensure compliance with the foregoing threshold.

However, subject to certain exceptions, each of the Issuer and the Guarantors need not compel any subsidiary that is not a Guarantor to become an Additional Guarantor if, by entering into such guarantee, the subsidiary would violate applicable law or would breach the provisions of, be in default under, or require the consent of any third party to a waiver of the terms of, or subject the officers, directors or shareholders of such subsidiary to liability under, any joint venture agreement or other shareholder arrangement binding or intended to be binding on that subsidiary and/or its shareholders. As a result, there are circumstances where the aggregate of earnings before interest, tax, depreciation and amortisation of each of the Guarantors could represent less than 70 per cent. of the Consolidated Core EBITDA of the Group.

35. Notes which have a denomination that is not an integral multiple of US$200,000 may be illiquid and difficult to trade.

The denomination of the Notes is US$200,000 and integral multiples of US$1,000 in excess thereof. Therefore, it is possible that the Notes may be traded in amounts in excess of US$200,000 that are not integral multiples of US$200,000. In such a case, a Noteholder who, as a result of trading such amounts, holds a principal amount of less than US$200,000 would need to purchase a principal amount of Notes such that it holds an amount equal to at least US$200,000 to be able to trade such Notes. Noteholders should be aware that Notes which have a denomination that is not an integral multiple of US$200,000 may be illiquid and difficult to trade.

36. Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase, pledge or other use of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

37. A secondary trading market may not develop and the Notes may have limited liquidity.

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

38. Admission to trading on the ISM cannot be assured.

The Issuer and the Guarantors have applied for the Notes to be admitted to trading on the ISM. However, prospective investors should note that there is no assurance that such admission to trading will occur or, if it occurs, can be maintained. The absence of admission to trading, or a failure to maintain the trading, of the Notes on the ISM may have an adverse effect on a Noteholder's ability to hold, or resell, the Notes.

39. The Notes are subject to modification by a majority of Noteholders without the consent of all Noteholders.

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. The Fiscal Agent and the Issuer may agree to modify the Conditions of the Notes without the consent of the Noteholders in cases of, *inter alia*, manifest error. For further details of such matters and the relevant majorities required at meetings of Noteholders, see Condition 13 and the corresponding provisions of the Fiscal Agency Agreement.

40. Investors may not be able to reinvest redemption proceeds of the Notes at the same or a higher rate than the interest rate applicable to the Notes.

The Notes may be redeemed prior to maturity if (i) the Issuer (or, if the Guarantee were called, any Guarantor) has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, the United States, Jordan, Egypt, Saudi Arabia or Portugal or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of this Offering Circular, and (ii) such obligation cannot be avoided by the Issuer (or the relevant Guarantor(s), as the case may be) taking reasonable measures available to it, in accordance with Condition 7(e).

If the Notes are redeemed as described above, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

41. Exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Notes and the Guarantors will make any payments under the Guarantee in US dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than US dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to US dollars would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

42. Investors in the Notes must rely on Euroclear and Clearstream, Luxembourg procedures.

The Notes will be represented on issue by the Global Certificate that will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates representing Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

43. Credit ratings may not reflect all risks.

The Notes are expected to be assigned a rating of BBB- by S&P and Ba1 by Moody's. The credit ratings assigned to the Notes may not reflect the potential impact of all risks related to the Issuer, the Group, the rights attaching to the Notes and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the relevant rating agency at any time. The initial ratings by S&P and Moody's will not address the likelihood that the principal on the Notes will be repaid on the scheduled maturity date. Such ratings also will not address the marketability of investments in the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that subsequent purchasers will be willing to pay for the Notes.

44. Interest rate risks.

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. Fluctuations in interest rates can affect the market values of, and corresponding levels of capital gains or losses on, fixed rate securities. During periods of rising interest rates, the prices of fixed rate securities, such as the Notes, tend to fall and gains are reduced or losses incurred upon their sale. Therefore, investment in the Notes involves the risk that changes in market interest rates may adversely affect the value of the Notes.

45. A change of law may adversely affect the Notes.

The Notes, the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee are governed by English law. No assurance can be given as to the impact of any possible change to English law, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes or any Guarantor to make payments under the Guarantee.

Risks relating to Enforceability of Claims under the Guarantee

46. The Guarantee will be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain defences that may limit its validity and enforceability.

Pursuant to the Guarantee, the Guarantors have unconditionally, irrevocably and jointly and severally agreed that, among other matters, if the Issuer does not pay any sum payable by it under the Notes by the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise), the Guarantors shall pay that sum to each Noteholder before close of business on that date in the city to which payment is so to be made. Enforcement of the Guarantee against any Guarantor will be subject to certain defences available to Guarantors in the relevant jurisdiction. Although laws differ among these jurisdictions, these laws and defences generally include those that relate to financial assistance, corporate interest or benefit, fraudulent conveyance or transfer, voidable preference, insolvency or bankruptcy challenges, preservation of share capital, thin capitalisation, capital maintenance or similar laws, regulations or defences affecting the rights of creditors generally. If one or more of these laws and defences is applicable, a Guarantor may have no liability or decreased liability under the Guarantee depending on the amounts of its other obligations and applicable law. Limitations on the enforceability of judgments obtained in English courts in such jurisdictions could limit the enforceability of any Guarantee against any Guarantor.

Although laws differ among various jurisdictions, in general, under bankruptcy or insolvency law and other laws, a court could (i) avoid or invalidate all or a portion of a Guarantor's obligations under the Guarantee, (ii) direct that the holders of the Notes return any amounts paid under the Guarantee to the relevant Guarantor or to a fund for the benefit of the Guarantor's creditors or (iii) take other action that is detrimental to Noteholders, typically if the court found that:

- the Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud creditors or shareholders of the relevant Guarantor or, in certain jurisdictions, when the granting of the Guarantee has the effect of giving a creditor a preference or when the recipient was aware that the relevant Guarantor was insolvent when it granted the Guarantee;
- the relevant Guarantor did not receive fair consideration or reasonably equivalent value or corporate benefit for the Guarantee and that Guarantor was: (i) insolvent or rendered insolvent because of the Guarantee, (ii) undercapitalised or became undercapitalised because of the Guarantee or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the Guarantee was held to exceed the corporate objects of the relevant Guarantor or not to be in the best interests or for the corporate benefit of that Guarantor; or

- the amount paid or payable under the Guarantee was in excess of the maximum amount permitted under applicable law or against financial assistance laws.

There is no assurance as to the standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of whether or not a Guarantor was insolvent on the date the Guarantee was given, a court would not determine that payments to holders of the Notes constituted preferences, fraudulent transfers or conveyances on other grounds.

The liability of each Guarantor under the Guarantee will be limited to the amount that will result in the Guarantee not constituting a preference, fraudulent conveyance or improper corporate distribution or otherwise being set aside. However, there is no assurance as to what standard a court will apply in making a determination of the maximum liability of the Guarantor. There is a possibility that the Guarantee may be set aside, in which case the entire liability may be extinguished.

If a court decided that the Guarantee was a preference, fraudulent transfer or conveyance and voided the Guarantee, or held it unenforceable for any other reason, Noteholders may cease to have any claim in respect of the relevant Guarantor and would be a creditor solely of the Issuer and, if applicable, of any other Guarantor under the Guarantee which has not been declared void. If the Guarantee is found to be invalid or unenforceable, in whole or in part, holders of the Notes will have no claim against the applicable Guarantor, and if the Issuer is unable to satisfy its obligations under the Notes or the Guarantee is found to be a preference, fraudulent transfer or conveyance or is otherwise set aside, there is no assurance that the Issuer will be able to repay in full any amounts outstanding under the Notes.

47. Egyptian Guarantee Limitations

Under Egyptian law, claims may become time-barred; limitation periods vary under Egyptian law depending on the nature of the claim in question, with 15 years being the maximum time period for claims to be brought. Egyptian law prohibits the waiver of any prescription right or the amendment of the prescription periods provided under Egyptian law.

Under Egyptian law, a guarantee is only valid if the underlying guaranteed obligation is valid. In addition, a guarantor's obligations towards a Noteholder cannot be more burdensome than the guaranteed obligation (*i.e.* the guaranteed obligation cannot be more onerous than the underlying debt). In addition to the above, a Noteholder (*i.e.* the beneficiary of a guarantee) cannot claim monies or enforce obligations under the guarantee from the guarantor, until the Noteholder has taken action against the debtor, as the initial debtor. However, the guarantor may waive such right in the guarantee agreement. The guarantee of a future or contingent debt or obligation is null and void unless the guaranteed amount is determined or capped in advance.

In addition, Egyptian or other applicable laws, including laws with respect to fraudulent conveyance or voidable preferences, necessary corporate power and the issuance of proper corporate resolutions, could render the guarantee partially or entirely voidable or otherwise ineffective.

48. Jordanian Guarantee Limitations

Under Jordanian law, claims may become time-barred (limitation periods vary under Jordanian law depending on the nature of the claim in question as well as the identity of the parties with 15 years being the maximum time period set forth under the Jordanian Civil Code) and may be or become subject to the defence of set-off or counterclaim.

As a general rule, under Jordanian law, any guarantee, pledge or mortgage must guarantee or secure another obligation to which it is ancillary, which must be clearly identified in the relevant guarantee or security agreement.

Therefore, the guarantee follows the underlying obligation in such a way that nullity of the underlying obligation entails nullity of the guarantee and termination of the underlying obligation entails termination of the guarantee. If either Arab Pharmaceutical Manufacturing PSC or Hikma Pharmaceuticals LLC (each, a "Jordanian Guarantor" and together the "Jordanian Guarantors") is able to prove that there are no existing and valid guaranteed obligations, Jordanian courts may consider that the relevant Jordanian Guarantor's obligations under the Guarantee are not enforceable.

In addition, in the event of the insolvency of a Jordanian Guarantor, Jordanian insolvency law may adversely affect the ability of such Jordanian Guarantor to perform its obligations under the Guarantee. There is little precedent to predict how a claim on behalf of Noteholders against the Jordanian Guarantors upon their insolvency would be resolved.

These uncertainties and lack of precedent make it difficult to predict the exact outcome with respect to possible contractual and payment issues and may materially adversely affect Noteholders' ability to enforce their rights against the Jordanian Guarantors with respect to the Notes and any other contractual or performance-related remedies that might otherwise be available.

49. Portuguese Guarantee Limitations

Under Portuguese law, claims may become time-barred (20 years being the ordinary term set forth under article 309 of the Portuguese Civil Code) and may be or become subject to the defence of set-off or counterclaim.

As a general rule, under Portuguese law, any guarantee, pledge or mortgage must guarantee or secure another obligation to which it is ancillary, which must be clearly identified in the relevant guarantee or security agreement.

Therefore, the guarantee follows the underlying obligation in such a way that nullity of the underlying obligation entails nullity of the guarantee and termination of the underlying obligation entails termination of the guarantee. If Hikma Farmacêutica (Portugal) S.A. (the "Portuguese Guarantor") is able to prove that there are no existing and valid guaranteed obligations, Portuguese courts may consider that the Portuguese Guarantor's obligations under the Guarantee are not enforceable.

Pursuant to Portuguese law, provision of a Guarantee in favour of third parties is not allowed, unless (i) the company has a justified corporate interest in the granting of a guarantees or (ii) the company is in a group or control relationship with the beneficiary of a guarantee (as defined in the Portuguese Companies Code).

The insolvency of a Portuguese company may adversely affect any guarantee or security interest granted by such Portuguese company.

50. Saudi Arabian Guarantee Limitations

Under Saudi Arabian law there is no distinction between a guarantee as a secondary obligation and an indemnity as a primary obligation, and it is likely that a court or judicial committee in Saudi Arabia would treat both obligations as being in the nature of a guarantee. Therefore, the limitations discussed in this section apply equally to obligations expressed to be guarantees and obligations expressed to be indemnities.

Guarantees are viewed as "voluntary obligations" and, as a result, Saudi Arabian courts and judicial committees are likely to construe the terms and conditions of the Guarantee in favour of Al Jazeerah Pharmaceutical Industries Ltd (the "Saudi Arabian Guarantor"). For instance, it is the practice of certain courts and judicial committees in Saudi Arabia to consider a creditor filing a claim against the borrower without joining the guarantor as a party to the action to have waived its rights to claim against the guarantor, unless the claim expressly preserves the creditor's rights to claim against the guarantor. Additionally, if a creditor delays in exercising its rights against a guarantor in respect of an unpaid debt for a long period of time (as determined by

the relevant court or judicial committee), the relevant court of judicial committee may construe such delay as a waiver of the creditor's rights. Similarly, there are certain limitation periods within which a claim will have to be filed before the relevant court or judicial committee in Saudi Arabia, failing which the claim may be time-barred.

If any guaranteed obligation proves to be illegal or unenforceable under Saudi Arabian law, the Guarantee provided by the Saudi Arabian Guarantor and any other obligation held by a Saudi Arabian court or judicial committee to constitute a guarantee would, in respect of those underlying illegal or unenforceable obligations, also be unenforceable before the courts or judicial committees of Saudi Arabia. Moreover, under Islamic law, a guarantee cannot be enforced to recover monies due to a failure on behalf of a party to pay a sum in the nature of interest (howsoever described). Accordingly, the Saudi Arabian Guarantor would have, in addition to its own defences arising out of the Guarantee, the right to avail itself of any defences arising out of the guaranteed obligations or the underlying debt.

The obligations of the Saudi Arabian Guarantor cannot be stricter than the guaranteed obligations. Moreover, an open-ended guarantee that does not specify any limit on the guaranteed obligations is unlikely to be enforceable under Saudi Arabian law. Under the Guarantee, the liability of the Saudi Arabian Guarantor in its capacity as Guarantor has accordingly been capped at US$726,562,500.

If the guaranteed obligations are amended (including in relation to any change to a beneficiary of the guarantee) without the Saudi Arabian Guarantor's consent, then the Guarantee provided by such Guarantor (and any other obligation held by a Saudi Arabian court or judicial committee to constitute a guarantee) will not cover such amendments. If the beneficiaries of a guarantee or any of them release the borrower from any guaranteed obligation, the guarantor will also be released from such obligations.

Any payment made by the Issuer, or by other Guarantors, in respect of the Notes may automatically be deemed to discharge the corresponding guaranteed obligations and to reduce the Saudi Arabian Guarantor's liability in respect of such guaranteed obligation, notwithstanding any provision to the contrary.

As long as any part of the guaranteed amount has not been paid to the Issuer in respect of the Notes, the Saudi Arabian Guarantor has the right to revoke its Guarantee of such part of the guaranteed amount. However, this will not affect the Saudi Arabian Guarantor's obligation to guarantee the amount that has already been paid to the Issuer in respect of the Notes.

It is uncertain under the laws of Saudi Arabia whether the obligations of a guarantor incurred following the insolvency of the guarantor will be enforceable with respect to the guarantor, as the debt owed by that guarantor will become due at the time of the insolvency. Therefore, it is unclear whether in any particular case a guarantee would continue to be effective after the insolvency of the guarantor and bind the liquidator in respect of advances made thereafter.

51. Guarantee Limitations in relation to the US Guarantors

The liability of the Guarantors incorporated in the US under the Guarantee is limited to a maximum amount equal to the greatest amount that would not render any US Guarantor's obligations thereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of the United States Bankruptcy Code.

Risks Relating to Enforcement of Judgments and Arbitral Awards

52. Enforceability of judgments and arbitral awards in Egypt

Under Egyptian law, foreign judgments are enforceable in Egypt without re-examination of the merits, provided that:

- the foreign courts offer reciprocal treatment to judgments obtained in the courts of Egypt. If such reciprocal treatment is not offered by the court where judgments are obtained, then the Egyptian courts will re-examine the merits of the case in the same manner as that adopted by such courts;
- the courts of Egypt are not exclusively competent to hear the dispute which constituted the object of the foreign judgment while the foreign courts are shown to have been competent to hear the dispute in accordance with their own respective laws;
- the parties to the dispute were duly notified and properly represented in the proceedings;
- the judgment is final and conclusive in accordance with the laws of its place of issuance; and
- the foreign judgment does not conflict with a prior Egyptian judgment in the same case and is not contrary to public order or morality in Egypt and the judgment is technically sound in all respects.

Egyptian courts are competent to hear disputes raised against Egyptians whether or not resident in Egypt which may result in the rejection of the request of an exequatur of a non-Egyptian judgment rendered against Hikma Pharma S.A.E. (the "Egyptian Guarantor"). Further, an Egyptian court reviews the procedures to ascertain that the foreign judgment has properly met all conditions as listed above including that that the foreign judgment conforms with Egyptian public order. Such review may therefore lead to re-examination of the matter on the merits. If Egypt and the country where the judgment is rendered in its jurisdiction are both signatories to a judicial cooperation treaty, enforcement procedures will be facilitated and the degree of scrutiny would be lower. However, no such treaty exists between the UK and Egypt for the reciprocal enforcement of foreign court judgments and, accordingly, an English court judgment against the Egyptian Guarantor may not be enforceable in Egypt without re-examination of the merits.

With regard to arbitral awards, Egypt is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "New York Convention"). Consequently, Egyptian courts should recognise and enforce in Egypt a valid arbitral award made in the United Kingdom, on the basis of the rules of the New York Convention, subject to qualifications provided for in the New York Convention and compliance with Egyptian procedural regulations and arbitration law.

53. Enforceability of judgments and arbitral awards in Jordan

Under Jordanian law, the submission to the jurisdiction of a foreign court, or arbitration by a tribunal of a member to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") is valid and shall be enforceable through the Jordanian courts without re-examination of the merits of the case.

A Jordanian court may not enforce a foreign judgment or arbitral award if it finds that:

- the foreign court or tribunal that issued the judgment or award lacked jurisdiction;
- the party against whom enforcement is sought (i) had no business operations within the jurisdiction of the foreign court or tribunal or was not domiciled within its jurisdiction, (ii) did not voluntarily appear before that court or tribunal and (iii) did not submit to the jurisdiction of such court or tribunal;
- the party against whom enforcement is sought was not served with a notice to appear before the court or tribunal which issued the judgment or award or was not duly or properly served with notice;
- the judgment or award was passed in a fraudulent manner;
- the party against whom enforcement is sought establishes to the satisfaction of the court that the judgment or award is not final;

- the judgment or award relates to a cause of action that should not be entertained by non-Jordanian courts because it is contradictory to either Jordanian public policy or public morality; or
- the court or tribunal that issued the judgment or award (or the laws of the jurisdiction thereof) do not recognise and enforce judgments issued by Jordanian courts.

If a claim against the Jordanian Guarantors is brought before a Jordanian court, and it accepts English law as the governing law to the claim, English law will apply to the extent that it is compatible with the laws of Jordan and public policy. This may mean that the Jordanian courts may seek to interpret certain provisions of an English law governed document as if governed by Jordanian law and there can therefore be no certainty that in those circumstances the Jordanian courts would give effect to such document in the same manner as the Issuer, the Guarantors and the Noteholders may intend.

54. Enforceability of judgments and arbitral awards in Portugal

A judgment entered against a company incorporated in Portugal in the courts of a state which is not, among other things, under the terms of (i) Regulation (EU) No. 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the "2012 Brussels Regulation"), (ii) Council Regulation (EC) No. 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (the "2000 Brussels Regulation"), (iii) the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters made at Lugano on 30 October 2007 (the "Lugano Convention"), and (iv) the Convention on Choice of Court Agreements made at The Hague on 30 June 2005 (the "Hague Convention"), a Member State (as defined in the 2012 Brussels Regulation and the 2000 Brussels Regulation) or a Contracting State (as defined in the Lugano Convention and in the Hague Convention), would not be recognised or enforceable in Portugal without a review of certain prescribed aspects of Portuguese law.

As a rule, such review by a Portuguese court would be limited to an assessment of the formal requirements stated in Portuguese law. However, in some exceptional cases, a judgment would not be recognised or enforceable without an examination on its merits by the Portuguese Court.

Upon the expiry of the transition period of the Withdrawal Agreement (defined as the fully ratified agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community), and in the absence of any other equivalent arrangements being put in place, the United Kingdom will not be a Member State or a Contracting State with effect from such expiry date, being 31 December 2020. In such circumstances, and assuming no other equivalent arrangements are put in place and no other treaty for the enforcement of an English judgment applies, an English court judgment entered against the Portuguese Guarantor in relation to the Guarantee and the Notes may only be recognised or enforceable in Portugal according to the relevant provisions of Portuguese law, which, in some exceptional cases, require an examination of the merits of the claim, as referred to above. An examination of the merits of any claim against the Portuguese Guarantor could delay the enforcement by Noteholders of the Portuguese Guarantor's obligations under the Guarantee and the Notes.

With regard to arbitral awards, Portugal is a party to the New York Convention. Consequently, the Portuguese courts should recognise and enforce in Portugal a valid arbitral award made in the United Kingdom, on the basis of the rules of the New York Convention, subject to qualifications provided for in the New York Convention and compliance with Portuguese procedural regulations and arbitration law.

55. Enforceability of judgments and arbitral awards in Saudi Arabia

The courts and judicial committees of Saudi Arabia may not enforce foreign judgments and arbitral awards issued in respect of the Notes and/or the Guarantee against the Saudi Arabian Guarantor.

The enactment of the Enforcement Law, which was issued by Royal Decree No. M/53 dated 13/08/1433H (corresponding to 3 July 2012 under the Gregorian calendar) and came into force, together with its implementing regulations, on 28 February 2013 (together, the "Enforcement Law"), transferred jurisdiction for enforcement actions, including those relating to foreign judgments and arbitral awards, to the newly created Enforcement Courts staffed by specialist enforcement judges.

The Enforcement Courts may, at their discretion, enforce all or any part of a foreign judgment or arbitral award, subject to certain conditions, which include:

- the judgment or award complying with public policy in Saudi Arabia (meaning *Shariah*);
- there being reciprocity between Saudi Arabia and the country in which the judgment or award was made;
- the courts of Saudi Arabia not having jurisdiction over the dispute and the judgment or award having being issued in accordance with the jurisdictional rules of the country in which it was made;
- the respective parties having been summoned, duly represented and able to defend themselves;
- the judgment or award being final; and
- the judgment or award not conflicting with any ruling or order issued by a court of competent jurisdiction on the same matter in Saudi Arabia.

Reciprocity may be demonstrated by way of Saudi Arabia and the country in which the foreign judgment or award was issued being parties to a bilateral or multilateral agreement for the reciprocal enforcement of judgments or awards (in this regard, we note that Saudi Arabia has acceded to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "New York Convention") and is also a signatory to the Arab League Treaty for the Reciprocal Enforcement of Judgments and the Agreement on Enforcement of Judgments, Delegations and Judicial Summonses in the States of the Cooperation Council for the Arab Gulf States) or, in the absence of such agreement, that such country would recognise and enforce a foreign judgment or award in the same manner as a domestic judgment or award. No such reciprocity currently exists between the UK and Saudi Arabia and accordingly, no assurance can be given that a purchaser of the Notes would be able to meet the requirements of reciprocity of enforcement.

In addition, even if this requirement was met, prospective purchasers of the Notes should also be aware that if any terms of the Notes or any documents relating to the Notes (which would include the payment of interest) were found to be inconsistent with Shariah, they would not be enforced by the Enforcement Courts in Saudi Arabia.

Further, judicial precedents in Saudi Arabia have no binding effect on subsequent decisions. In addition, court decisions in Saudi Arabia are not generally or consistently indexed and collected in a single publication or place or made publicly available. These factors create greater judicial uncertainty, including in relation to enforcement proceedings.

Risks related to admission of the Notes to trading on the ISM

56. Stand-alone financial information for individual Guarantors has not been included in this Offering Circular, and the audited consolidated financial statements for the Group as of and for each of the years ended 31 December 2017, 2018 and 2019 included in this Offering Circular may therefore be of limited use in assessing the financial position of individual Guarantors.

As at and for each of the years ended 31 December 2018 and 31 December 2019, the aggregate of the unconsolidated combined Core EBITDA of the Guarantors (calculated on the same basis as provided in Condition 5.4) represented 88.6 per cent. and 88.4 per cent., respectively, of the Group's Consolidated Core

EBITDA (calculated on the same basis as provided in the definition thereof in Condition 19). For more information on the Group's Core EBITDA on which these percentages are based and how it is calculated, see "*Selected Consolidated Financial Information—Key Performance Indicators*".

The rulebook of the ISM in effect on the date of this Offering Circular (the "Rulebook") allows for the automatic omission of stand-alone financial information and certain other information relating to the Guarantors where the Guarantors, in the aggregate, comprise 75 per cent. or more of the consolidated profits and consolidated assets of the Group as at and for the year ended 31 December 2019. The contribution of the Guarantors, in the aggregate, exceeded both such thresholds as at and for the year ended 31 December 2019, and accordingly stand-alone financial information for each Guarantor, as well as information relating to the Guarantors' exact proportion of the Group's consolidated profits and consolidated assets, have been omitted from this Offering Circular.

The Financial Statements (as defined in "*Presentation of Financial and Other Information—Financial Information*") are consolidated at the Company level and do not include stand-alone financial information for individual Guarantors. As a result, and as a result of the operation of the Rulebook described above, the Financial Statements and the remainder of this Offering Circular may be of limited use in assessing the financial position of individual Guarantors. The Group believes that the omission of the stand-alone financial information for individual Guarantors will not influence the assessment by prospective investors of the financial position or prospects of the Group and the rights attaching to the Notes.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The Group's consolidated financial statements as at and for each of the years ended 31 December 2017, 2018 and 2019 and the related notes thereto included elsewhere in this Offering Circular (the "Financial Statements") are presented in US dollars and have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS EU") and those parts of the United Kingdom's Companies Act 2006 as applicable to companies using IFRS EU, and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS IASB" and, together with IFRS EU, "IFRS"). The Company's functional currency is the US dollar as the majority of its business is conducted in US dollars. The functional currencies of the Company's subsidiaries are chosen to reflect the primary economic environment in which it operates. Transactions in currencies other than US dollars are translated into US dollars at the applicable exchange rate.

The preparation of financial information in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying its accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in the notes to the Financial Statements. For a complete description of the basis of preparation, consolidation and accounting policies followed in preparing the Financial Statements, see Note 2 of the Financial Statements included elsewhere in this Offering Circular.

Unless otherwise indicated, the historical financial information included in this Offering Circular has been extracted or derived from the Financial Statements and the unaudited comparative financial information included therein. The consolidated financial statements as at and for the year ended 31 December 2019 and the related notes thereto ("2019 Financial Statements") include unaudited comparative financial information as at and for the year ended 31 December 2018. The consolidated financial statements as at and for the year ended 31 December 2018 and the related notes thereto ("2018 Financial Statements") include unaudited comparative financial information as at and for the year ended 31 December 2017. The consolidated financial statements as at and for the year ended 31 December 2017 and the related notes thereto ("2017 Financial Statements") are also included in this Offering Circular. The Financial Statements have been audited by PricewaterhouseCoopers LLP, who are the independent auditors, as stated in their reports appearing herein. Each of the audits of the Financial Statements have been conducted in accordance with International Standards on Auditing (UK).

Copies of the Financial Statements as at and for each of the years ended 31 December 2017, 2018 and 2019 have been included into this Offering Circular from page 215. See "*Index to Financial Statements*".

Adoption of new and revised standards

Financial information as at and for the years ended 31 December 2018 and 2019 reflects the adoption of the following new and revised accounting pronouncements:

- IFRS 15 – Revenue from Contracts with Customers;
- IFRS 9 – Financial Instruments;
- IFRS 16 – Leases; and
- International Financial Reporting Interpretations Committee ("IFRIC") 23 – Uncertainty over income tax treatment.

Following the adoption of these new and revised standards, the Group was not required to restate previous financial statements, and therefore the financial information affected by these standards is not directly comparable with subsequent years. For more information on these standards and their effect on the Group's financial information, see Notes 1 and 44 of the 2018 Financial Statements and Notes 1 and 34 of the 2019 Financial Statements.

Non-IFRS Financial Information

In this Offering Circular, certain non-IFRS financial information is presented. The Group believes that these non-IFRS measures provide valuable information to readers because they enable the reader to focus more directly on the underlying day-to-day performance of the Group's business.

These non-IFRS financial metrics are a supplemental measure of the Group's performance and liquidity that are not required by or presented in accordance with IFRS. Furthermore, non-IFRS financial metrics should not be considered as an alternative to profit for the year, profit before taxes or any other performance measures derived in accordance with IFRS or as an alternative to cash flows from operating activities as a measure of the Group's liquidity or as a measure of cash available to the Group to invest in the growth of its business.

The Group presents non-IFRS financial metrics because the Group believes similar measures are frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, many of which also present non-IFRS financial metrics when reporting their results. However, the Group's non-IFRS financial metrics are not necessarily comparable to other similarly titled metrics of other companies due to potential differences in the method of calculation and definitions used by those companies. The Group also presents non-IFRS financial metrics as supplemental measures of its ability to service its indebtedness. Nevertheless, non-IFRS financial metrics have limitations as analytical tools and they should not be considered in isolation from, or as substitutes for, analysis of the Group's results of operations.

Key performance indicators

In this Offering Circular, the Group has used the following non-IFRS key performance indicators:

- EBITDA;
- Core EBITDA;
- Working Capital Days;
- Net Debt;
- Total capitalisation;
- Total capital expenditure;
- Net Debt/Core EBITDA; and
- Interest coverage.

Definitions and, where applicable, reconciliations of these key performance indicators to the Group's reported financial information is set out in "*Selected Consolidated Financial Information—Key Performance Indicators*", other than total capitalisation, which can be found in "*Capitalisation*".

Core results

In addition to the above key performance indicators, the Group also presents its results of operations on both a reported and 'core' basis. The Group's reported results of operations represent the Group's overall performance under IFRS. However, these results can include one-off or non-cash items that mask the underlying performance

of the Group. To provide a more complete picture of the Group's performance to external audiences, the Group provides core results, which are non-IFRS financial metrics, alongside its reported results, on both a Group and segmental basis, where these one-off or non-cash items impact the line item. The core results exclude exceptional items and other adjustments, including certain R&D costs, acquisition, integration and other costs, impairments and tax effects due to impairments and US tax reforms, among others. During the periods under review, the most significant of these adjustments at the segmental level related to the US$1,084 million impairment charge taken in 2017 following the Columbus Acquisition in 2016; no other adjustments during the periods under review exceeded US$96 million. For more detail, see "*Results of Operations—Core adjustments*". A reconciliation of the core results to the reported results is set out in "*Selected Consolidated Financial Information—Core results*". The measures presented on a core basis should not be considered in isolation or as an alternative to the measures presented on a reported basis on the Group's consolidated income statement or the related notes thereto.

Rounding Adjustments

Rounding adjustments have been made in calculating some of the financial information included in this Offering Circular. As a result, figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

Currency

Unless otherwise indicated, all references to: "US$" or "US dollars" are to the lawful currency of the United States of America; "£" or "Pound sterling" are to lawful currency of the United Kingdom; and "€" or "Euro" are to the single currency of the participating Member States in the third stage of the European and Economic Monetary Union pursuant to the Treaty establishing the European Community, as amended from time to time.

USE OF PROCEEDS

The proceeds of the issuance of the Notes will be US$494,310,000, before deduction of applicable commissions and other expenses payable by the Issuer. The Group intends to use the net proceeds of the issuance of the Notes for general corporate purposes.

CAPITALISATION

The following table sets forth the Group's consolidated cash and cash equivalents, collateralised and restricted cash and capitalisation as at 31 December 2019.

Prospective investors should read this table in conjunction with "*Use of Proceeds*", "*Selected Consolidated Financial Information*", "*Operating and Financial Review*" and the Financial Statements, which are included elsewhere in this Offering Circular.

	As at 31 December 2019
	(*US$ millions*)
Cash and cash equivalents	442
Collateralised and restricted cash	1
Short-term financial debts	569
Long-term financial debts	48
Current leases liabilities	9
Non-current leases liabilities	59
Total borrowings	685
Merger and revaluation reserves	57
Translation reserves	(235)
Retained earnings	1,973
Share capital	41
Share premium	282
Own shares	(1)
Equity attributable to equity holders of the parent	2,117
Non-controlling interests	12
Total equity	2,129
Total capitalisation	2,371

The Group defines capitalisation as total equity plus total borrowings, which include short-term financial debts, long-term financial debts, short-term leases liabilities, long-term leases liabilities, net of cash and cash equivalents and collateralised and restricted cash.

On 9 April 2020, the Group repaid its US$500 million 4.25% bond using funds drawn down from its RCF (as defined herein), which, following repayments and a further draw down, had an outstanding balance of US$550 million and US$450 million available for draw down as at 26 June 2020. The Group also drew down the full US$150 million from its long-term International Finance Corporation ("IFC") facility on 28 April 2020.

On 25 June 2020, in connection with the sale by Boehringer Ingelheim Invest GmbH of its entire shareholding in the Group, the Group bought back 12.8 million of its outstanding shares, which it is holding in treasury, for £23.00 per share, minus a two per cent. commitment fee from Boehringer Ingelheim Invest GmbH. The price

paid per share by the Group was the same as the price per share paid for the balance of Boehringer Ingelheim Invest GmbH's shares.

Other than as set out above, as at 26 June 2020, there has been no material change in total capitalisation and indebtedness (including in respect of contingent liabilities and guarantees) of the Group since 31 December 2019.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set out below should be read in conjunction with the Financial Statements prepared in accordance with IFRS that are included elsewhere in this Offering Circular. The selected consolidated income statement data, consolidated balance sheet data and consolidated cash flows statement data as at and for each of the years ended 31 December 2017, 2018 and 2019 set out below are extracted from the Financial Statements, including the unaudited comparative financial information included therein, as applicable.

Selected Reported Consolidated Income Statement Data

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, unless otherwise indicated)		
Revenue			
Injectables	776	826	894
Generics	615	692	719
Branded	536	542	583
Other	9	10	11
Total revenue	1,936	2,070	2,207
Cost of sales	(969)	(1,020)	(1,059)
Gross profit			
Injectable	480	497	523
Generic	219	279	326
Branded	265	271	296
Other	3	3	3
Total gross profit	967	1,050	1,148
Selling, general and administrative expenses[(1)]	(475)	(470)	(494)
Net impairment reversals on financial assets	—	11	—
Research and development expenses	(121)	(147)	(150)
Other operating expenses, net	(1,118)	(73)	(11)
Total operating expenses	(1,714)	(679)	(655)
Operating (loss)/profit	(747)	371	493
Finance income	95	3	67
Finance expense	(86)	(80)	(67)
(Loss)/gain from investment at fair value through profit and loss (FVTPL)	—	(1)	2
Loss from investment divestiture	—	—	(4)
(Loss)/profit before tax	(738)	293	491

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, unless otherwise indicated)		
Tax	(101)	(8)	(4)
(Loss)/profit for the year	(839)	285	487
Attributable to equity holders of the parent	(843)	282	486
Basic (losses)/earnings per share (*cents*)	(351.3)	117.0	200.8

Note:

(1) Beginning in 2019, sales and marketing expenses and general and administrative expenses are reported as a single line item, selling, general and administrative expenses. In 2017, sales and marketing expenses were US$236 million and general and administrative expenses were US$239 million. In 2018, sales and marketing expenses were US$224 million and general and administrative expenses were US$246 million.

Consolidated Balance Sheet Data

	As at 31 December		
	2017	**2018**	**2019**
		(US$ millions)	
Non-current assets			
Goodwill	282	279	282
Other intangible assets	503	487	552
Property, plant and equipment	828	870	912
Right-of-use assets	—	—	50
Investment in associates and joint ventures	6	11	11
Deferred tax assets	135	125	243
Financial and other non-current assets	60	57	32
	1,814	1,829	2,082
Current assets			
Inventories	488	528	568
Income tax receivable	53	74	79
Trade and other receivables	707	731	719
Collateralised and restricted cash	4	—	1
Cash and cash equivalents	227	276	442
Other current assets	95	59	39

	As at 31 December		
	2017	**2018**	**2019**
		(US$ millions)	
	1,574	1,668	1,848
Total assets	3,388	3,497	3,930
Current liabilities			
Short-term financial debts	—	—	569
Bank overdrafts and loans	86	74	—
Leases liabilities	—	—	9
Trade and other payables	365	465	473
Income tax provision	82	68	82
Other provisions	26	23	23
Other current liabilities	238	263	315
	797	893	1,471
Net current assets	777	775	377
Non-current liabilities			
Long-term financial debts	670	539	48
Leases liabilities	—	—	59
Obligations under finance leases	20	23	—
Deferred tax liabilities	49	16	20
Other non-current liabilities	324	329	203
	1,063	907	330
Total liabilities	1,860	1,800	1,801
Net assets	1,528	1,697	2,129
Equity			
Share capital	40	40	41
Share premium	282	282	282
Other reserves[(1)]	(190)	(217)	(179)
Retained earnings	1,382	1,580	1,973
Equity attributable to equity holders of the parent	1,514	1,685	2,117
Non-controlling interests	14	12	12
Total equity	1,528	1,697	2,129

Note:

(1) Other reserves as at 31 December 2017 included merger and revaluation reserves, translation reserves and own shares.

Consolidated Cash Flow Statement Data

	For the year ended 31 December		
	2017	**2018**	**2019**
		(US$ millions)	
Net cash inflow from operating activities	443	430	472
Cash flow from investing activities			
Purchases of property, plant and equipment	(107)	(107)	(119)
Proceeds from disposal of property, plant and equipment	4	13	2
Purchase of intangible assets	(44)	(32)	(67)
Investment in joint ventures	2	(4)	—
(Increase)/decrease in investment in financial and other non-current assets	(2)	4	(1)
Proceeds from sale of investment at fair value through other comprehensive income (FVTOCI)	—	—	12
Additions of investments at fair value through other comprehensive income (FTVOCI)[(1)]	(8)	(4)	(5)
Acquisition of business undertakings net of cash acquired	3	(14)[(2)]	(8)
Proceeds from investment divestiture	—	—	2
Contingent consideration receipt	—	45[(2)]	27
Interest income received	1	3	6
Net cash outflow from investing activities	(151)	(96)	(151)
Cash flow from financing activities			
Decrease/(increase) in collateralised and restricted cash	3	3	(1)
Proceeds from issue of long-term financial debts[(3)]	349	93	19
Repayment of long-term financial debts[(3)]	(401)	(224)	(11)
Proceeds from short-term borrowings[(4)]	323	138	267
Repayment of short-term borrowings[(4)]	(349)	(148)	(273)
Repayment of lease liabilities	—	—	(12)
Dividends paid	(79)	(84)	(97)
Dividends paid to non-controlling shareholders of subsidiaries	(2)	(3)	(2)
Interest and bank charges paid	(57)	(51)	(44)

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions)		
Purchase of non-controlling interest in subsidiary	(6)	—	—
Payment to co-development and earnout payment agreement	(1)	(2)	(1)
Net cash outflow from financing activities	(220)	(278)	(155)
Net increase in cash and cash equivalents	72	56	166
Cash and cash equivalents at beginning of year	155	227	276
Foreign exchange translation movements	—	(7)	—
Cash and cash equivalents at end of year	227	276	442

Notes:

(1) In 2017, this was reported as available-for-sale investment.

(2) As extracted from the unaudited 2018 comparisons provided in the 2019 Financial Statements.

(3) In 2018, these cash flows related to long-term financial debts and the movements reconcile to the movements per Note 29 to the 2018 Financial Statements. In 2017, the movements reconciled to the relevant note after including a non-cash movement of US$1 million in respect of unfavourable translation differences.

(4) In 2018, these cash flows related to bank overdraft and loans and the movements reconcile to the movements per Note 25 to the 2018 Financial Statements after including a non-cash movement of US$2 million (2017: US$5 million) in respect of favourable translation differences.

Core Results

The following table provides selected core results, as derived from the Financial Statements, for the Group for the years indicated. A reconciliation of these results to the reported results is set out below under "*— Reconciliation of core results*". For segmental financial information on a core basis, see "*Operating and Financial Review—Results of Operations—Segmental results of operations".*

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, unless otherwise indicated)		
Core revenue	1,936	2,076	2,203
Core cost of sales	(963)	(1,004)	(1,059)
Core gross profit	973	1,072	1,144
Core selling, general and administrative expenses[(1)]	(426)	(437)	(453)
Core net impairment reversals on financial assets	—	11	—
Core research and development expenses	(115)	(118)	(126)

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, unless otherwise indicated)		
Core other operating expenses, net	(46)	(68)	(57)
Core operating expenses	(587)	(612)	(636)
Core operating profit	386	460	508
Core finance income	2	3	7
Core finance expense	(60)	(54)	(52)
Core (loss)/gain from investment at fair value through profit and loss (FVTPL)	—	(1)	2
Core profit before tax	328	408	465
Core tax	(72)	(73)	(100)
Core profit for the year	256	335	365
Attributable to equity holders of the parent	252	332	364
Core basic earnings per share (*cents*)	105.0	137.8	150.4

Note:

(1) Beginning in 2019, core sales and marketing expenses and core general and administrative expenses are reported as a single line item, selling, general and administrative expenses. In 2017, core sales and marketing expenses were US$188 million and general and administrative expenses were US$238 million. In 2018, core sales and marketing expenses were US$191 million and core general and administrative expenses were US$246 million.

Reconciliation of core results

The following tables provide a reconciliation of the Group's core results to the Group's reported results for the years indicated. For more information on the exceptional items and other adjustments, see "*Operating and Financial Review—Results of Operations—Core adjustments*".

For the year ended 31 December 2017

	Core results	**Exceptional items and other adjustments**	**Reported results**
	(US$ millions, unless otherwise indicated)		
Revenue	1,936	—	1,936
Cost of sales	(963)	(6)	(969)
Gross profit	973	(6)	967
Selling, general and administrative expenses[(1)]	(426)	(49)	(475)
Research and development expenses	(115)	(6)	(121)

	Core results	Exceptional items and other adjustments	Reported results
	(US$ millions, unless otherwise indicated)		
Other operating expenses, net	(46)	(1,072)	(1,118)
Total operating expenses	(587)	(1,127)	(1,714)
Operating profit/(loss)	386	(1,133)	(747)
Finance income	2	93	95
Finance expense	(60)	(26)	(86)
Profit/(loss) before tax	328	(1,066)	(738)
Tax	(72)	(29)	(101)
Profit/(loss) for the year	256	(1,095)	(839)
Attributable to equity holders of the parent	252	(1,095)	(843)
Basic earnings/(losses) per share (*cents*)	105.0	—	(351.3)

Note:

(1) Beginning in 2019, core sales and marketing expenses and core general and administrative expenses are reported as a single line item, core selling, general and administrative expenses. In 2017, core sales and marketing expenses were US$188 million and exceptional items and other adjustments were US$48 million, resulting in reported sales and marketing expenses of US$236 million. Core general and administrative expenses were US$238 million and exceptional items and other adjustments were US$1 million, resulting in reported general and administrative expenses of US$239 million.

For the year ended 31 December 2018

	Core results	Exceptional items and other adjustments	Reported results
	(US$ millions, unless otherwise indicated)		
Revenue	2,076	(6)	2,070
Cost of sales	(1,004)	(16)	(1,020)
Gross profit	1,072	(22)	1,050
Selling, general and administrative expenses	(437)	(33)	(470)
Net impairment reversals on financial assets	11	—	11
Research and development expenses	(118)	(29)	(147)
Other operating expenses, net	(68)	(5)	(73)
Total operating expenses	(612)	(67)	(679)

	Core results	Exceptional items and other adjustments	Reported results
	(US$ millions, unless otherwise indicated)		
Operating profit/(loss)	460	(89)	371
Finance income	3	—	3
Finance expense	(54)	(26)	(80)
Loss from investment at fair value through profit and loss (FVTPL)	(1)	—	(1)
Profit/(loss) before tax	408	(115)	293
Tax	(73)	65	(8)
Profit/(loss) for the year	335	(50)	285
Attributable to equity holders of the parent	332	(50)	282
Basic earnings per share (*cents*)	137.8	—	117.0

Note:

(1) Beginning in 2019, core sales and marketing expenses and core general and administrative expenses are reported as a single line item, core selling, general and administrative expenses. In 2018, core sales and marketing expenses were US$191 million and exceptional items and other adjustments were US$33 million, resulting in reported sales and marketing expenses of US$224 million. Core general and administrative expenses were US$246 million and there were no exceptional items or other adjustments, resulting in reported general and administrative expenses of US$246 million.

For the year ended 31 December 2019

	Core results	Exceptional items and other adjustments	Reported results
	(US$ millions, unless otherwise indicated)		
Revenue	2,203	4	2,207
Cost of sales	(1,059)	—	(1,059)
Gross profit	1,144	4	1,148
Selling, general and administrative expenses	(453)	(41)	(494)
Research and development expenses	(126)	(24)	(150)
Other operating (expenses)/income, net	(57)	46	(11)
Total operating expenses	(636)	(19)	(655)
Operating profit/(loss)	508	(15)	493
Finance income	7	60	67

	Core results	Exceptional items and other adjustments	Reported results
	(US$ millions, unless otherwise indicated)		
Finance expense	(52)	(15)	(67)
Gain from investment at fair value through profit and loss (FVTPL)	2	—	2
Loss from investment divestiture	—	(4)	(4)
Profit before tax	465	26	491
Tax	(100)	96	(4)
Profit for the year	365	122	487
Attributable to equity holders of the parent	364	122	486
Basic earnings per share (*cents*)	150.4	—	200.8

Reconciliation of segmental core results

The following tables provide a reconciliation of each segment's core results to its reported results for the years ended 31 December 2017, 2018 and 2019. For more information on the exceptional items and other adjustments, see "*Operating and Financial Review—Results of Operations—Core adjustments*".

Injectables segment for the year ended 31 December 2019

	Core results	Exceptional items and other adjustments	Reported results
		(in US$ millions)	
Revenue	890	4	894
Cost of sales	(371)	—	(371)
Gross profit	519	4	523
Total operating expenses	(181)	(22)	(203)
Operating profit	338	(18)	320

Injectables segment for the year ended 31 December 2018

	Core results	Exceptional items and other adjustments	Reported results
		(in US$ millions)	
Revenue	832	(6)	826
Cost of sales	(329)	—	(329)

	Core results	Exceptional items and other adjustments	Reported results
		(in US$ millions)	
Gross profit	503	(6)	497
Total operating expenses	(168)	(24)	(192)
Operating profit	335	(30)	305

Injectables segment for the year ended 31 December 2017

	Core results	Exceptional items and other adjustments	Reported results
		(in US$ millions)	
Revenue	776	—	776
Cost of sales	(296)	—	(296)
Gross profit	480	—	480
Total operating expenses	(165)	(22)	(187)
Operating profit	315	(22)	293

Generics segment for the year ended 31 December 2019

	Core results	Exceptional items and other adjustments	Reported results
		(in US$ millions)	
Revenue	719	—	719
Cost of sales	(393)	—	(393)
Gross profit	326	—	326
Total operating expenses	(202)	27	(175)
Operating profit	124	27	151

Generics segment for the year ended 31 December 2018

	Core results	Exceptional items and other adjustments	Reported results
		(in US$ millions)	
Revenue	692	—	692
Cost of sales	(397)	(16)	(413)
Gross profit	295	(16)	279
Total operating expenses	(202)	(37)	(239)
Operating profit	93	(53)	40

Generics segment for the year ended 31 December 2017

	Core results	Exceptional items and other adjustments	Reported results
		(in US$ millions)	
Revenue	615	—	615
Cost of sales	(390)	(6)	(396)
Gross profit	225	(6)	219
Total operating expenses	(203)	(1,098)	(1,301)
Operating profit	22	(1,104)	(1,082)

Branded segment for the year ended 31 December 2019

	Core results	Exceptional items and other adjustments	Reported results
		(in US$ millions)	
Revenue	583	—	583
Cost of sales	(287)	—	(287)
Gross profit	296	—	296
Total operating expenses	(167)	(24)	(191)
Operating profit	129	(24)	105

Branded segment for the year ended 31 December 2018

	Core results	Exceptional items and other adjustments	Reported results
		(in US$ millions)	
Revenue	542	—	542
Cost of sales	(271)	—	(271)
Gross profit	271	—	271
Total operating expenses	(154)	(6)	(160)
Operating profit	117	(6)	111

Branded segment for the year ended 31 December 2017

	Core results	Exceptional items and other adjustments	Reported results
		(in US$ millions)	
Revenue	536	—	536
Cost of sales	(271)	—	(271)
Gross profit	265	—	265
Total operating expenses	(151)	(7)	(158)
Operating profit	114	(7)	107

Key Performance Indicators

The following table provides selected key performance indicators for the Group for the years indicated. For more information on these non-IFRS measures, see "*Presentation of Financial and Other Information—Non-IFRS Financial Information".*

	For the year ended 31 December		
	2017	2018	2019
	(US$ millions, unless otherwise indicated)		
EBITDA[(1)]	488	492	592
Core EBITDA[(1)]	468	549	593
Working Capital Days[(2)]	225	210	202
Net Debt[(3)]	546	361	242
Total capital expenditure[(4)]	107	107	119
Net Debt/Core EBITDA[(5)]	1.2	0.7	0.4
Interest coverage (x) [(6)]	7.8	10.2	11.4

Notes:

(1) EBITDA is calculated as earnings before interest, tax, depreciation, amortisation and impairment charges/reversals. Core EBITDA is calculated as core earnings before interest, tax, depreciation, amortisation of software and impairment charges/reversals excluding certain exceptional items and other adjustments. The following table provides a reconciliation of EBITDA and Core EBITDA to the Group's reported operating profit for the years indicated.

	For the year ended 31 December		
	2017	**2018**	**2019**
		(US$ millions)	
Reported operating profit	(747)	371	493
Depreciation, amortisation and impairment	1,235	121	99
Reported EBITDA	488	492	592
Exceptional research and development costs	—	29	24
Jordan warehouse fire incident	—	—	13
Proceeds from legal claim	—	—	(32)
Contingent consideration adjustment	(29)	—	(7)
MENA severance and restructuring costs	—	—	7
Integration costs	9	28	(4)
Core EBITDA	468	549	593

(2) Working Capital Days are calculated as receivable days plus inventory days, less payable days. Receivable days are calculated as trade receivables times 365, divided by the Group's reported revenue for the trailing 12 months.

(3) Net Debt is calculated as total debt minus total cash (the sum of cash equivalents and collateralised and restricted cash). The following tables provide a reconciliation of Net Debt to the Group's reported total debt for the years indicated.

	As at 31 December	
	2017	**2018**
	(US$ millions)	
Bank overdrafts and loans[(a)]	(87)	(75)
Long-term financial debts	(670)	(539)
Non-current obligations under finance leases	(20)	(23)
Total debt	(777)	(637)
Cash and cash equivalents and collateralised and restricted cash	231	276
Net Debt	(546)	(361)

Note:

(a) Includes current obligations under finance leases.

	As at 31 December
	2019
	(US$ millions)
Short-term financial debts	(569)
Short-term leases liabilities	(9)
Long-term financial debts	(48)
Long-term leases liabilities	(59)
Total debt	(685)
Cash, cash equivalents and collateralised and restricted cash	443
Net Debt	(242)

(4) The Group's capital expenditures primarily relate to the maintenance, upgrading and expansion of its global manufacturing facilities, the addition of new production and R&D lines and the purchase of machinery and equipment.

(5) Net Debt/Core EBITDA is calculated as Net Debt divided by Core EBITDA.

(6) Interest coverage is calculated as Core EBITDA divided by core finance expense.

OPERATING AND FINANCIAL REVIEW

The following discussion should be read in conjunction with the Financial Statements included elsewhere in this Offering Circular, together with the notes thereto. The financial information herein is extracted from the Financial Statements, including the unaudited comparative financial information included therein, and the underlying accounting records of the Group. For a description of the financial statements, see "Presentation of Financial and Other Information".

In addition, the following discussion contains certain forward-looking statements that reflect the plans, estimates and beliefs of the Group. The actual results of the Group may differ materially from those discussed in these forward-looking statements. See "Cautionary statement regarding forward-looking statements". Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Circular, including "Risk Factors".

Overview

Hikma is a fast-growing pharmaceutical group focused on developing, manufacturing and marketing a broad range of high quality generic and branded generic pharmaceutical products and manufacturing and marketing a growing portfolio of in-licensed pharmaceutical products. The Group conducts its business primarily in the United States, the MENA region and Europe. In the year ended 31 December 2019, the Group's product portfolio comprised more than 690 generic, branded generic and branded pharmaceutical products across its markets. The Group conducts its operations through three principal segments: Injectables, Generics and Branded.

- The Injectables segment develops and manufactures generic injectable products that are sold globally and primarily used in hospitals. The Injectables segment operates five manufacturing facilities, in which there are seven plants, in the United States, Portugal, Germany, Italy and Egypt, and sells its products primarily in the United States, as well as in the MENA region and Europe. As at 31 December 2019, the Group was the third largest manufacturer of generic injectables pharmaceuticals in the United States by volume, according to IQVIA. For the year ended 31 December 2019, the Injectables segment accounted for US$890 million, or 40 per cent., of the Group's core revenue and US$338 million, or 67 per cent., of the Group's core operating profit.

- The Generics segment develops and manufactures oral and other non-injectable generic pharmaceutical products for sale in the US retail market. The Generics segment operates a manufacturing facility in the United States, in which there are two plants, and is also supported by the Group's US FDA-inspected plants in Jordan and Saudi Arabia. For the year ended 31 December 2019, the Generics segment accounted for US$719 million, or 33 per cent., of the Group's core revenue and US$124 million, or 24 per cent., of the Group's core operating profit.

- The Branded segment develops, manufactures and markets branded generic pharmaceutical products and, as a leading licensing partner in the MENA region, in-licensed pharmaceutical products, both patented and non-patented, for sale in retail and hospital markets across the MENA region. The Group's Branded segment is supported by 14 manufacturing facilities, in which there are 23 plants, in seven countries, including Saudi Arabia, Egypt, Algeria and Jordan. The Group is a leading pharmaceutical company in the MENA region, selling its products in 18 markets. For the year ended 31 December 2019, the Branded segment accounted for US$583 million, or 26 per cent., of the Group's core revenue and US$129 million, or 25 per cent., of the Group's core operating profit.

In total, the Group operates 19 facilities, in which there are 31 plants, in the United States, Portugal, Germany, Italy, Jordan, Saudi Arabia, Egypt, Sudan, Algeria, Tunisia and Morocco, of which 12 are US FDA-inspected

plants located in Jordan, Saudi Arabia, United States, Portugal and Germany and 11 are plants inspected by the European Medicines Agency ("EMA") located in Jordan, Saudi Arabia, United States, Portugal, Italy and Germany.

For the year ended 31 December 2019, the Group had revenue of US$2,207 million and core revenue of US$2,203 million. The Group's operating profit and core operating profit for the year ended 31 December 2019 were US$493 million and US$508 million, respectively.

Basis of Presentation

Core results

The Group's reported results of operations represent the Group's overall performance under IFRS. However, these results can include one-off or non-cash items that mask the underlying performance of the Group. To provide a more complete picture of the Group's performance to external audiences, the Group provides core results, which are non-IFRS financial metrics, alongside its reported results, on both a Group and segmental basis, where these one-off or non-cash items impact the line item. The core results exclude exceptional items and other adjustments, including certain one-off R&D costs, acquisition, integration and other costs, impairments and tax effects due to impairments and US tax reforms, among others. During the periods under review, the most significant of these adjustments at the segmental level related to the US$1,084 million impairment charge taken in 2017 following the Columbus Acquisition in 2016; no other adjustments during the periods under review exceeded US$96 million. For more detail, see "*Results of Operations—Core adjustments*". A reconciliation of the core results to the reported results is set out in "*Selected Consolidated Financial Information—Core results*". The measures presented on a core basis should not be considered in isolation or as an alternative to the measures presented on a reported basis on the Group's income statement or the notes thereto.

Segments and geographic markets

The Group operates its business through three principal segments, Injectables, Generics and Branded, and reports its financial results across these segments as well as a fourth financial reporting segment 'Others' (see "*Business—Other Businesses"*).

The Group operates its business in three principal geographic markets, the United States, MENA and Europe and rest of the world, and reports its financial results across these markets as well as a fourth market for financial reporting purposes, the United Kingdom. However, the financial information in this Offering Circular presents the United Kingdom as a part of the Europe and rest of the world results. During the periods under review, all of the products of the Generics segment were sold in the United States, and virtually all of the products of the Branded segment were sold in the MENA region. Although the Injectables segment sold its products across all three geographic markets, the majority of its products were sold in the United States.

Key Factors Affecting the Group's Financial Condition and Results of Operations

Market concentration

The Group operates in diverse international markets and regions. It is therefore subject to various industry, economic and political dynamics, the impact of which are tempered by the geographic spread of the Group's businesses. Nevertheless, 61 per cent. and 33 per cent. of the Group's core revenue for the year ended 31 December 2019 was attributable to its operations in the United States and countries in the MENA region, respectively. The Group's results of operations are, therefore, significantly exposed to a variety of factors associated with doing business in these markets, including applicable regulations, government mandated drug and pricing policies, competition and geopolitical factors. The United States, for example, is the largest

pharmaceutical market in the world and offers significant opportunities for growth. At the same time, market dynamics in the US generic pharmaceutical industry have been challenging due to the consolidation of customers and increased ANDA approvals by the US FDA that led to increased competition and price erosion. In the MENA region, the pharmaceutical market has continued to grow, supported by strong market fundamentals, including rising life expectancy and increasing health awareness. See "*Industry—Industry Dynamics and Drivers—Increasing Role of Emerging Markets"*. However, in certain countries in the region, geopolitical events have given rise to increased inflation rates, a slowdown of economic growth and shortage of foreign currency reserves. Additionally, certain governments in the MENA region have introduced regulations to protect local companies and promote local manufacturing by restricting the importation of products when there are locally manufactured substitutable products.

Acquisitions

The Group has historically grown through a combination of organic development and acquisitions, and is actively exploring further acquisition opportunities to expand its business, some of which, if consummated, would be significant in size. These could include companies or products that are complementary to other existing segments of the business or add new technology and segments such as speciality and biosimilars. See "*Business—History*". The Group's selective and disciplined acquisition strategy is premised on identifying companies, parts of companies or assets that it believes possess products, R&D expertise, manufacturing capabilities and/or technologies that will complement or enhance its existing portfolio and operations, and create value for its shareholders. In addition, the Group considers a target's expansion potential, how easily it can be integrated into the Group's operating model and the likely internal rate of return on the Group's investment. The Group also compares its expected investment return on potential acquisitions of products and technologies with those likely to be realised were it to develop similar products or technologies organically.

In general, the Group's results of operations are positively affected by the revenues associated with an acquisition, and negatively affected by normal costs associated with operating the business, as well as one-off and recurring exceptional costs incurred in connection with the acquisition, such as transaction-related expenses, interest expense resulting from debt incurred to finance the acquisition and integration costs. Integration costs, including those attributable to the alignment of the acquired businesses' operations with the Group's reporting and financial controls, staff expenses to support the integration of the acquired business, and sales and marketing activities to increase brand awareness, can also be significant. As a result, following a material acquisition, the Group's financial results may not be directly comparable to those other financial periods.

The Group typically records goodwill in connection with its acquisitions, which, as at 31 December 2019, amounted to US$282 million. Goodwill arising on an acquisition is recognised as an asset, initially measured at cost and allocated to the segment that is expected to benefit from the acquisition. Goodwill is tested for impairment annually or more frequently if there are indications that goodwill may be impaired. If it is determined that an impairment must be made, the impairment loss is allocated to the relevant segment, and previously recognised impairment losses on goodwill are not reversed. Impairments can, therefore, have a non-cash impact on the Group's results of operations for the relevant period, as was the case in 2017 when the Group recognised an impairment charge of US$1,084 million following the Columbus Acquisition in 2016. See "*Results of Operations—Core adjustments*".

Products

For the year ended 31 December 2019, the Group offered more than 690 products. Of these, 309 products were in the Injectables segment, 105 products were in the Generics segment and 277 products were in the Branded segment. In the year ended 31 December 2019, sales of the Group's top ten products by core revenue accounted for 25 per cent. of its core revenues, and sales of each of the Group's segments top ten products by core revenue

accounted for 36 per cent., 58 per cent. and 42 per cent. of Injectables, Generics and Branded core revenue, respectively. The Group has succeeded in diversifying its product portfolio, with those product concentration levels in each business segment declining significantly in the last five years, most notably in Generics where the contribution of the top ten products by core revenue decreased by over a third since 2014.

The Group is continually looking for opportunities to further diversify its product portfolio by introducing new and differentiated products through its internal R&D programme. In addition, the Group examines its product portfolio and conducts portfolio optimisation exercises where more mature products, which cease to be profitable or that the Group intends to replace, are withdrawn. This cycle also helps the Group drive further revenue and profit growth. The success of the Group's product development initiatives depends on a variety of factors, including further development of R&D capabilities and maintaining efficient and high-quality manufacturing facilities. For the 18 months ended 31 December 2019, 4 per cent. of the Group's core revenue came from new product launches. The Group's target is to increase the percentage of core revenue coming from new product launches to 10 per cent. of core revenue by 2023.

The Group is strategically focussed on the production of differentiated, higher value products, in addition to continuing to produce lower margin, high volume products. In order to achieve this, the Group is looking to increase the number of products in its pipeline and add more specialised products in each business segment.

The Group also pursues in-licensing and co-development opportunities to complement and expand its portfolio. This allows the Group to gain exclusive rights to patent-protected pharmaceutical products or complex generic or biosimilar medicines which, in the Group's view, boost its product offering and enhances the competitive position of the Group by creating a wider product portfolio that appeals to customers. While in-licensed and co-developed products tend to have a lower margin, they serve to support revenue growth and provide the Group with access to more complex products, which allows for higher fixed cost absorption. Certain in-licensing arrangements require the transfer of advanced technologies and production capabilities of the relevant licensors to the Group's manufacturing facilities, enhancing the Group's manufacturing expertise and capabilities. Most of the Group's in-licensed products are concentrated in the Branded segment, where, for the year ended 31 December 2019, they accounted for 37 per cent. of the segment's revenue, in line with 36 per cent. in 2018.

Some of the Group's licensing or distribution agreements require the Group to pay a licensing fee in addition to purchasing the API from the originator pharmaceutical company, and some of the Group's licence and distribution agreements specify minimum quantities of product to be purchased from the licensor.

API and other raw and packaging material costs

Costs related to raw and packaging materials accounted for approximately 30 per cent. of the Group's revenue in the year ended 31 December 2019, with the most significant portion of these costs relating to API. While the prices of the API that the Group uses have generally decreased in recent years, these prices are volatile and can vary significantly from supplier to supplier. The Group also tends to keep higher inventories of API in MENA due to fluctuations in political and economic conditions in the region. In some cases, the Group may not be able to pass on increases in API and other raw material costs to customers and such costs can therefore have a significant impact on the Group's results of operations. The Group has a dedicated API sourcing function that has been successful in sourcing lower cost API, including through more competitive suppliers in Asia. However, despite the Group having established good relationships with most of its suppliers, certain raw materials are only available from a limited number of suppliers worldwide, which exposes the Group to certain price inelasticity with regard to these raw materials, including API.

Pricing dynamics

Pricing for the Group's products reflects a variety of factors, including changes in API and other raw material costs, competition, customer concentration, industry practice, governmental regulation and general market

conditions. Global generic pharmaceutical markets are extremely competitive and are often regulated by governments, both of which can result in downward pressure on prices. At the same time, continuous changes to the competitor dynamics for individual products can result in both upwards and downwards price variations. In 2018, according to the Association for Accessible Medicines, 90 per cent. of all retail generics in the United States were sold to three buying consortia, which were able to leverage their purchasing power to drive drug prices down.

In addition to the normal competitive forces that affect price levels, 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 among markets and may be amplified by currency fluctuations.

During the periods under review, certain countries where the Group operates have continued to implement robust cost-containment measures in the pharmaceuticals industry. In the MENA region in particular, the pricing environment became more challenging as some health authorities introduced strict reference pricing models and began considering clinical value and pharmacoeconomic factors in making pricing decisions, though price reductions in 2019 were minimal. In addition, a price harmonisation initiative is being implemented by the countries of the Gulf Cooperation Council (the "GCC"), whereby the government ministries, which purchase the large majority of pharmaceutical products in the region, share pricing information with each other to obtain the lowest prices possible. This new initiative has the potential to adversely affect the Group's pricing and sales in the GCC.

Research and development and commercialisation of new products

The Group's results of operations may be impacted significantly by the timeliness of its R&D and product commercialisation activities. In order to bring a drug to market successfully, the Group must identify products for which it can undertake the required R&D, obtain regulatory approvals and generate attractive returns on investment. Additional development and regulatory costs may be incurred and sales opportunities lost, including as a result of competitors entering the market ahead of the Group, if there is any significant delay in product development, approval or launch. For example, the Group's ANDA for fluticasone propionate and salmeterol inhalation powder (a generic version of Advair Diskus® developed by the Group) was submitted for approval in 2016 but has not yet been approved due to the complexities of the product. The Group currently invests six to seven per cent. of Group revenue on the internal development of products for its three business segments. The Group's R&D expenses were US$121 million, US$147 million and US$150 million in the years ended 31 December 2017, 2018 and 2019, respectively. The Group believes that it can improve its return on this investment by improving the efficiency of its R&D teams and developing more complex and specialised products. For the 18 months ended 31 December 2019, 4 per cent. of the Group's core revenue came from new product launches. The Group's target is to increase the percentage of core revenue coming from new product launches to 10 per cent. of core revenue by 2023.

Compliance with regulations and pharmaceutical industry litigation

The Group is subject to extensive, complex, costly and evolving regulations governing the approval, manufacturing, labelling, marketing and sale of pharmaceutical products in the countries where it manufactures and sells its products. Therefore, it is subject to periodic inspections by regulatory authorities, including the US FDA in the United States. In recent years, pharmaceutical companies have been subject to increased scrutiny from regulatory authorities in all of the markets in which the Group operates, and this trend is expected to continue. Compliance with regulatory requirements has in the past been a significant driver of the Group's cost

base. For example, the Group had to purchase new machinery to implement the regulatory requirements of serialisation/track-and-trace technology on all of its packaging, which also added to manufacturing times and costs. Consequently, the Group expects regulatory compliance to continue to be a significant driver of its cost base in the future, particularly if it is required to defend itself in connection with any associated enforcement action.

Furthermore, many governments in the MENA region have introduced regulations to protect local companies and promote local manufacturing, restricting the importation of products when there are locally manufactured substitutable products or giving local manufacturers preferential treatment in government tenders. This has led to the Group investing in local manufacturing facilities in the region and strengthening its presence in key MENA markets, such as Algeria.

The Group is also subject to a number of pharmaceutical industry legal proceedings. Starting in 2016, several complaints have been filed in the United States against various defendants, including the Group, alleging that the defendants engaged in conspiracies to fix, increase, maintain and/or stabilise the prices of the generic drug products named. The Group is vigorously pursuing defence of these cases. Relatedly, the Group received a subpoena from a US state attorney general and a subpoena from the US Department of Justice in 2017, and in 2018 the Group received a civil investigative demand from the US Department of Justice requesting information related to products, pricing and related communications. The Group is cooperating with all such demands. Numerous complaints in the United States also have been filed with respect to the Group's sales and distribution of opioid products. See "*Business—Legal Proceedings*". Defence of these matters is a significant driver of the Group's cost base.

Currency effects

The Group conducts operations in a large number of countries and its financial results are therefore exposed to foreign currency fluctuations. The Group's presentation currency is the US dollar and most of its revenue and costs are denominated in either US dollars or currencies pegged to the US dollar. The Group's most significant foreign currency exposures therefore relate to sales made in Europe, costs incurred in euros and sales to certain MENA region countries where currencies are not pegged to the US dollar, in particular Algeria, Egypt, Morocco, Tunisia and Sudan. The Group naturally hedges its position in many currencies by using financing facilities denominated in the local currencies.

Trade receivables and chargebacks

For the year ended 31 December 2019, 33 per cent. of the Group's revenue came from the MENA region, where, in line with local market practice, distributors are accustomed to relatively long credit periods. The Group's largest customer in MENA is a long-term Saudi Arabian distributor representing 4 per cent. of the Group's total external debtor balances for the year ended 31 December 2019.

For the year ended 31 December 2019, 61 per cent. of the Group's core revenue came from the United States, where 37 per cent. of the Group's core revenue was concentrated with three wholesalers. These customers typically have credit terms ranging between 30 and 90 days.

In the United States, the Group sells its products directly to wholesalers at a price commonly referred to as the wholesaler acquisition cost ("WAC"). The group also has indirect contracts with pharmacies, managed care organisations, hospitals, and group purchasing organisations to establish pricing for awarded products (the "Indirect Price"). The indirect customers then buy products from the preferred wholesaler at the Indirect Price. The wholesalers will also sell the products under the source programmes. The Group will provide credit to the wholesaler for the difference between the WAC and the Indirect Price. This extension of credit is called a chargeback. As at 31 December 2019, the Group's provision balance relating to chargebacks was US$179 million.

Recent Developments

The current COVID-19 pandemic has brought unprecedented social, economic and business continuity challenges to the world and to the Group. The Group has been largely resilient to adverse effects of this crisis to date. In large part this is due to the nature of the pharmaceutical industry, where there is continued demand for pharmaceutical products. The Group has also remained resilient due to the maintenance of high inventory levels, regulated and highly controlled manufacturing processes, its scale, a long-term risk appetite (in particular financial prudence), and the diverse geographic spread of its operations. Furthermore, the response of the Group has mitigated adverse impacts of the pandemic via the implementation of control measures as required by governments, public health agencies, and other authorities to protect its employees and the communities in which it operates. The Group has thus far managed to continue to deliver essential medicines and meet the expectations of its stakeholders.

Injectables

The Group's global Injectables segment is performing well. In the US and Europe, the Injectables business is seeing an increase in demand across its portfolio, driven in part by the COVID-19 outbreak. The Injectables business in MENA is also seeing strong demand, particularly for its biosimilar products.

The Injectables product portfolio includes many of the products most in need by hospitals during the current pandemic, including anaesthetics, analgesics, sedatives, neuromuscular blocking agents and anti-infectives. The segment's commercial and operational teams are working closely with its customers and government agencies to ensure it is able to maintain a consistent supply of these products. The Group is leveraging the flexibility of its global manufacturing facilities and has been able to enhance productivity to meet the increased levels of demand.

The Group also received US FDA approval for the first product from its new high containment facility in Portugal, which can now begin to supply the US market. The Injectables segment is on track in terms of new product launches and is making significant investments in its product pipeline.

Generics

The Generics segment has also had a good start to the year, building upon its strong performance in 2019. The segment has seen good demand across its portfolio, particularly for its nasal sprays, and a better than expected contribution from new products, including the first-to-market generic launch of everolimus tablets (generic versions of Zortress® and Afinitor®, respectively). The segment has also seen some additional demand related to COVID-19.

The Generics segment has made good progress in strengthening its R&D pipeline since the beginning of the year. At the end of March, the Group successfully invalidated six US patents as asserted by Amarin for their Vascepa® capsules and received US FDA approval for its generic equivalent in May. In addition, the Group continues to advance its Generics nasal spray portfolio, leveraging the strong technical capabilities at its Columbus, Ohio facility to progress its naloxone nasal spray submission.

Branded

The Branded segment is also performing well. It has seen good demand across most of its markets, and particularly in its Tier 1 markets of Egypt and Saudi Arabia as well as in Algeria, where it has seen a strong recovery reflecting a more benign market environment. In some markets, the segment has also seen an increase in demand related to COVID-19.

While the pandemic has impacted the Branded segment's promotional activities, its teams have responded quickly to the challenges posed by distancing restrictions and have found new ways to reach health care providers across the region, including detailing doctors online and hosting virtual conferences. Some of the

Group's manufacturing facilities across the region have experienced slight disruptions but its teams have managed this well and production across its facilities is normalising.

Strong balance sheet and final dividend

On 9 April 2020, the Group repaid its US$500 million 4.25% bond using funds drawn down from its RCF, which, following repayments and a further draw down, had an outstanding balance of US$550 million and US$450 million available for draw down as at 26 June 2020. The Group also drew down the full US$150 million from its IFC facility on 28 April 2020.

On 7 May 2020, the Group paid a final dividend of 30 cents per share bringing the total dividend for the full year ended 31 December 2019 to 44 cents per share, an increase of 16 per cent. compared to 2018. In the current environment, the Group believes this demonstrates the strength of its balance sheet and confidence in its ability to maintain strong cash generation and low leverage.

Share buy back

On 25 June 2020, in connection with the sale by Boehringer Ingelheim Invest GmbH of its entire shareholding in the Group, the Group bought back 12.8 million of its outstanding shares, which it is holding in treasury, for £23.00 per share, minus a two per cent. commitment fee from Boehringer Ingelheim Invest GmbH. The price paid per share by the Group was the same as the price per share paid for the balance of Boehringer Ingelheim Invest GmbH's shares.

Results of Operations

Segmental results of operations

The following table summarises the composition of the Group's reported revenue by segment for the years indicated.

	For the year ended 31 December					
	2017		2018		2019	
	US$	*%*	*US$*	*%*	*US$*	*%*
Segment						
Injectables	776	40	826	40	894	41
Generics	615	32	692	33	719	33
Branded	536	28	542	26	583	26
Others	9	—	10	1	11	—
Revenue	**1,936**	**100**	**2,070**	**100**	**2,207**	**100**

Injectables segment

The following table provides selected financial information for the Injectables segment for the years indicated:

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, except %)		
Reported revenue	776	826	894

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, except %)		
Core revenue[(1)]	776	832	890
Reported gross profit	480	497	523
Core gross profit[(1)]	480	503	519
Core gross margin[(1)]	61.9%	60.5%	58.3%
Reported operating profit	293	305	320
Core operating profit[(1)]	315	335	338
Reported operating margin	37.8%	36.9%	35.8%
Core operating margin[(1)]	40.6%	40.3%	38.0%

Note:

(1) Core results are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in "*—Core adjustments*". A reconciliation of these results to the reported results is set out in "*Selected Consolidated Financial Information—Core results—Reconciliation of segmental core results*".

Revenue. The following table summarises the composition of the Injectables segment's reported revenue by geographic market, irrespective of the origin of the goods and services, for the years indicated.

	For the year ended 31 December					
	2017[(1)]		**2018**		**2019**	
	(*US$ millions, except* %)					
	US$	**%**	**US$**	**%**	**US$**	**%**
Geographic market						
United States	586	76	601	73	640	72
MENA region	102	13	120	14	146	16
Europe and rest of the world (including the UK)	88	11	105	13	108	12
Reported revenue	**776**	**100**	**826**	**100**	894	**100**

Note:

(1) As extracted from the unaudited 2017 comparisons provided in the 2018 Financial Statements.

The Injectables segment's revenue increased by 8 per cent. to US$894 million in the year ended 31 December 2019, compared with US$826 million in the year ended 31 December 2018. The Injectables segment's core revenue increased by 7 per cent. to US$890 million in the year ended 31 December 2019, compared with

US$832 million in the year ended 31 December 2018. The increases reflected the following trends in the segment's geographic markets.

- In the United States, revenue increased by 6 per cent. to US$640 million 2019, compared with US$601 million in 2018. Core revenue increased by 5 per cent. to US$636 million in 2019, compared with US$607 million in 2018. The increase reflected the breadth and resilience of the Group's portfolio, as strong sales of in-market products and growth from recent launches more than offset increased competition on certain products.

- In MENA, revenue increased by 22 per cent. to US$146 million in 2019, compared with US$120 million in 2018, with no adjustments for core revenue. The increase reflected good growth across the Group's markets, including Saudi Arabia and Egypt, as well as strong demand for Remsima® and a further contribution from newly launched Herzuma®.

- In Europe and rest of the world (including the United Kingdom), revenue increased by 3 per cent. to US$108 million in 2019, compared with US$105 million in 2018, with no adjustments for core revenue. The increase reflected a good performance from the Group's contract manufacturing business.

The Injectables segment's revenue increased by 6 per cent. to US$826 million in the year ended 31 December 2018, compared with US$776 million in the year ended 31 December 2017. The Injectables segment's core revenue increased by 7 per cent. to US$832 million in the year ended 31 December 2018, compared with US$776 million in the year ended 31 December 2017. The increases reflected, *inter alia*, the Injectables segment having launched 15 products in the United States, 17 in MENA and 20 in Europe and signed a number of licensing agreements to add more complex products to its pipeline.

- In the United States, revenue increased by 3 per cent. to US$601 million 2018, compared with US$586 million in 2017. Core revenue increased by 4 per cent. to US$607 million in 2018, compared with US$586 million in 2017. The increase reflected strong demand from hospital customers for the segment's large and diversified portfolio, recent product launches and the Group's flexibility in responding to market shortages, which allowed the US business to deliver growth, despite significantly increased competition.

- In MENA, revenue increased by 18 per cent. to US$120 million in 2018, compared with US$102 million in 2017, with no adjustments for core revenue. The increase reflected strong performance in Saudi Arabia and a significant increase in sales of Remsima®, the Group's infliximab biosimilar product licensed from Celltrion.

- In Europe and rest of the world (including the United Kingdom), revenue increased by 19 per cent. to US$105 million in 2018, compared with US$88 million in 2017, with no adjustments for core revenue. The increase reflected the contribution from recently launched products and expanded capacity for the segment's lyophilised products.

Gross profit and margin. The Injectables segment's gross profit increased 5 per cent. to US$523 million in the year ended 31 December 2019, compared with US$497 million in the year ended 31 December 2018. The Injectables segment's core gross profit increased by 3 per cent. to US$519 million in the year ended 31 December 2019, compared with US$503 million in the year ended 31 December 2018.

The Injectables segment's gross profit increased by 4 per cent. to US$497 million in the year ended 31 December 2018, compared with US$480 million in the year ended 31 December 2017. The Injectables segment's core gross profit increased by 5 per cent. to US$503 million in the year ended 31 December 2018, compared with US$480 million in the year ended 31 December 2017.

The Injectables segment's reported gross margin was 61.9 per cent., 60.2 per cent. and 58.5 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The Injectables segment's core gross margin was 61.9 per cent., 60.5 per cent. and 58.3 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The decreases in 2018 and 2019 primarily reflected a change in the product mix in the United States as new competitors emerged for previous blockbuster products reducing their profitability and their sales weight, as well as a change in the geographic mix towards Europe and the MENA region, which have lower core gross margins than the United States.

Operating profit and margin. The Injectables segment's operating profit increased by 5 per cent. to US$320 million in the year ended 31 December 2019, compared with US$305 million in the year ended 31 December 2018. The Injectables segment's core operating profit increased by 1 per cent. to US$338 million in the year ended 31 December 2019, compared with US$335 million in the year ended 31 December 2018.

The Injectables segment's operating profit increased by 4 per cent. to US$305 million in the year ended 31 December 2018, compared with US$293 million in the year ended 31 December 2017. The Injectables segment's core operating profit increased by 6 per cent. to US$335 million in the year ended 31 December 2018, compared with US$315 million in the year ended 31 December 2017.

The Injectables segment's reported operating margin was 37.8 per cent., 36.9 per cent. and 35.8 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. Core operating margin was 40.6 per cent., 40.3 per cent. and 38.0 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The decrease in 2019 reflected the lower gross margin. Core operating margin in 2018 remained broadly flat in 2018 as compared to 2017, which reflected the strong gross margin during the period, which more than offset increased investment in R&D.

Generics segment

The following table provides selected financial information for the Generics segment for the years indicated:

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, except %)		
Reported revenue	615	692	719
Reported gross profit	219	279	326
Core gross profit[(1)]	225	295	326
Core gross margin[(1)]	36.6%	42.6%	45.3%
Reported operating (loss)/profit	(1,082)	40	151
Core operating profit[(1)]	22	93	124
Reported operating margin[(2)]	(175.9)%	5.8%	21.0%
Core operating margin[(1)]	3.6%	13.4%	17.2%

Note:

(1) Core results are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in "*—Core adjustments*". A reconciliation of these results to the reported results is set out in "*Selected Consolidated Financial Information—Core results—Reconciliation of segmental core results*".

(2) The Generics segment's reported operating margin for the year ended 31 December 2017 reflects the US$1,084 million impairment charge taken in 2017 following the Columbus Acquisition in 2016.

Revenue. The Generics segment's revenue increased by 4 per cent. to US$719 million in the year ended 31 December 2019, compared with US$692 million in the year ended 31 December 2018. The increase was primarily due to strong demand for the Group's differentiated products portfolio, including its leading nasal sprays, and the launch of new products.

The Generics segment's revenue increased by 13 per cent. to US$692 million in the year ended 31 December 2018, compared with US$615 million in the year ended 31 December 2017. The increase was primarily due to the segment's enhanced commercial capabilities and strengthened business operations, which translated into stronger relationships with customers and, along with 13 new product launches, drove increased demand for the Group's differentiated product portfolio, which more than offset the impact of continued price erosion.

Gross profit and margin. The Generics segment's gross profit increased by 17 per cent. to US$326 million in the year ended 31 December 2019, compared with US$279 million in the year ended 31 December 2018. The Generics segment's core gross profit increased by 11 per cent. to US$326 million in 2019, compared with US$295 million in 2018.

The Generics segment's gross profit increased by 27 per cent. to US$279 million in the year ended 31 December 2018, compared with US$219 million in the year ended 31 December 2017. The Generics segment's core gross profit increased by 31 per cent. to US$295 million in 2018, compared with US$225 million in 2017.

The Generics segment's reported gross margin was 35.6 per cent., 40.3 per cent. and 45.3 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The Generics segment's core gross margin was 36.6 per cent., 42.6 per cent. and 45.3 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The increase in 2018 reflected an improvement in the product mix, operating leverage and a significant reduction in overheads, partly due to the closure of the Group's Eatontown plant. The increase in 2019 reflected volume growth and improvement in the product mix through a focus on higher margin products, as well as lower overhead costs resulting from the consolidation of the Group's manufacturing facilities in 2018 and other efficiency gains.

Operating profit and margin. The Generics segment's operating profit increased 278 per cent. to US$151 million in the year ended 31 December 2019, compared with US$40 million in the year ended 31 December 2018. The Generics segment's core operating profit increased by 33 per cent. to US$124 million in the year ended 31 December 2019, compared with US$93 million in the year ended 31 December 2018.

The Generics segment's operating profit increased to US$40 million in the year ended 31 December 2018, compared with an operating loss of US$1,082 million in the year ended 31 December 2017, which arose as a result of an impairment of the goodwill, intangible assets and property, plant and equipment related to the Columbus Acquisition. The Generics segment's core operating profit increased by 322.7 per cent. to US$93 million in the year ended 31 December 2018, compared with a core operating profit of US$22 million in the year ended 31 December 2017.

The Generics segment's reported operating margin was negative 175.9 per cent, 5.8 per cent. and 21.0 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The negative operating margin in 2017 was due to an operating loss of US$1,082 million, which primarily arose as a result of an impairment of the goodwill, intangible assets and property, plant and equipment related to the Columbus Acquisition. Core operating margin was 3.6 per cent., 13.4 per cent. and 17.2 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The increase in 2018 was primarily due to the strong improvement in core gross profit, whereas

the increase in 2019 was primarily due to the increase in core gross profit and better management of inventory-related expenses, which more than offset an increase in marketing and R&D expenses.

Branded segment

The following table provides selected financial information for the Branded segment for the years indicated.

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, except %)		
Reported revenue	536	542	583
Reported gross profit	265	271	296
Reported gross margin	49.4%	50.0%	50.8%
Reported operating profit	107	111	105
Core operating profit[(1)]	114	117	129
Reported operating margin	20.0%	20.5%	18.0%
Core operating margin[(1)]	21.3%	21.6%	22.1%

Note:

(1) Core results are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in "*—Core adjustments*". A reconciliation of these results to the reported results is set out in "*Selected Consolidated Financial Information—Core results—Reconciliation of segmental core results*".

Revenue. The Branded segment's revenue increased by 8 per cent. to US$583 million in the year ended 31 December 2019, compared with US$542 million in the year ended 31 December 2018. The increase in revenue in the year ended 31 December 2019 compared to the previous year was primarily due to strong performance in the Branded segment's largest markets, Saudi Arabia and Egypt, as well as good demand for the Group's marketed products and new launches, which offset lower sales in Algeria resulting primarily from political and economic disruptions.

Revenue from in-licensed products represented 37 per cent. of Branded revenue in the year ended 31 December 2019, compared with 36 per cent. in the year ended 31 December 2018. During 2019, the Group further developed its product portfolio through new licensing agreements, including agreements with Gedeon Richter for their novel antipsychotic, cariprazine, with Faes Farma for Bilaxten® and with Chiesi for a portfolio of their respiratory and neo-natal products for the Egyptian market.

The Branded segment's revenue increased by 1 per cent. to US$542 million in the year ended 31 December 2018, compared with US$536 million in the year ended 31 December 2017. The revenue increase was primarily due to growth in Egypt, reflecting strong underlying market growth, which offset lower revenue in Saudi Arabia and Algeria. Revenue in Saudi Arabia was negatively impacted by the timing of sales, while revenue in Algeria was impacted by a planned closure for upgrades at the Group's general formulation plant.

Revenue from in-licensed products represented 36 per cent. of Branded revenue in the year ended 31 December 2018, compared with 37 per cent. in the year ended 31 December 2017. During 2018, the Group strengthened and expanded its partnerships, adding new in-licensed products to its portfolio. The Group signed a partnership

agreement with Omega Pharma Trading NV, an affiliate of Perrigo Company PLC (Perrigo), for the exclusive right to license and distribute more than 30 consumer healthcare products across MENA. The Group also obtained the right of first refusal to the full range of Perrigo's over-the-counter ("OTC") medicines in the region.

Gross profit and margin. The Branded segment's gross profit increased by 9 per cent. to US$296 million in the year ended 31 December 2019, compared with US$271 million in the year ended 31 December 2018.

The Branded segment's gross profit increased by 2 per cent. to US$271 million in the year ended 31 December 2018, compared with US$265 million in the year ended 31 December 2017.

The Branded segment's reported gross margin was 49.4 per cent., 50.0 per cent. and 50.8 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The increase in the year ended 31 December 2018 primarily reflected the receipt of an allowance from a supplier to compensate for changing market dynamics. The increase in the year ended 31 December 2019 primarily reflected the increase in gross profit due to increased revenues.

Operating profit and margin. The Branded segment's operating profit decreased by 5 per cent. to US$105 million in the year ended 31 December 2019, compared with US$111 million in the year ended 31 December 2018. Core operating profit increased by 10 per cent. to US$129 million in the year ended 31 December 2019, compared with US$117 million in the year ended 31 December 2018.

The Branded segment's operating profit increased by 4 per cent. to US$111 million in the year ended 31 December 2018, compared with US$107 million in the year ended 31 December 2017. The Branded segment's core operating profit increased by 3 per cent. to US$117 million in the year ended 31 December 2018, compared with US$114 million in the year ended 31 December 2017.

The Branded segment's reported operating margin was 20.0 per cent., 20.5 per cent. and 18.0 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. Core operating margin was 21.3 per cent., 21.6 per cent. and 22.1 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The increase in core operating margin over the period from 31 December 2017 to 31 December 2019 primarily reflected the improvement of gross margin due to a shift in sales mix towards more profitable products, especially in key markets such as Saudi Arabia and Egypt.

Other businesses

The Group's other businesses primarily comprise Arab Medical Containers LLC, a manufacturer of plastic specialised medicinal sterile containers, International Pharmaceuticals Research Centre LLC, which conducts bio-equivalency studies, the chemicals division of Hikma Pharmaceuticals Limited Jordan and Hikma Emerging Markets and Asia Pacific FZ LLC. The other businesses generated revenue of US$9 million, US$10 million and US$11 million in the years ended 31 December 2017, 2018 and 2019, respectively.

The other businesses generated an operating loss of US$4 million, US$5 million and nil in the years ended 31 December 2017, 2018 and 2019, respectively.

Group results of operations

The following table provides selected reported consolidated income statement data for the Group for the years indicated.

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, unless otherwise indicated)		
Revenue	1,936	2,070	2,207
Cost of sales	(969)	(1,020)	(1,059)
Gross profit	967	1,050	1,148
Selling, general and administrative expenses[(1)]	(475)	(470)	(494)
Net impairment reversals on financial assets	—	11	—
Research and development expenses	(121)	(147)	(150)
Other operating expenses, net	(1,118)	(73)	(11)
Total operating expenses	(1,714)	(679)	(655)
Operating (loss)/profit	(747)	371	493
Finance income	95	3	67
Finance expense	(86)	(80)	(67)
(Loss)/gain from investment at fair value through profit and loss (FVTPL)	—	(1)	2
Loss from investment divestiture	—	—	(4)
(Loss)/profit before tax	(738)	293	491
Tax	(101)	(8)	(4)
(Loss)/profit for the year	(839)	285	487
Attributable to equity holders of the parent	(843)	282	486
Basic (losses)/earnings per share (*cents*)	(351.3)	117.0	200.8

Note:

(1) Beginning in 2019, sales and marketing expenses and general and administrative expenses are reported as a single line item, selling, general and administrative expenses. In 2017, sales and marketing expenses were US$236 million and general and administrative expenses were US$239 million. In 2018, sales and marketing expenses were US$224 million and general and administrative expenses were US$246 million.

The following table provides selected core financial information for the Group for the years indicated.

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, unless otherwise indicated)		
Core revenue	1,936	2,076	2,203
Core cost of sales	(963)	(1,004)	(1,059)
Core gross profit	973	1,072	1,144

	For the year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, unless otherwise indicated)		
Core selling, general and administrative expenses[(1)]	(426)	(437)	(453)
Core net impairment reversals on financial assets	—	11	—
Core research and development expenses	(115)	(118)	(126)
Core other operating expenses, net	(46)	(68)	(57)
Core operating expenses	(587)	(612)	(636)
Core operating profit	386	460	508
Core finance income	2	3	7
Core finance expense	(60)	(54)	(52)
Core (loss)/gain from investment at fair value through profit and loss (FVTPL)	—	(1)	2
Core profit before tax	328	408	465
Core tax	(72)	(73)	(100)
Core profit for the year	256	335	365
Attributable to equity holders of the parent	252	332	364
Core basic earnings per share (*cents*)	105.0	137.8	150.4

Note:

(1) Beginning in 2019, core sales and marketing expenses and core general and administrative expenses are reported as a single line item, selling, general and administrative expenses. In 2017, core sales and marketing expenses were US$188 million and general and administrative expenses were US$238 million. In 2018, core sales and marketing expenses were US$191 million and core general and administrative expenses were US$246 million.

Revenue. The following table summarises the composition of the Group's reported revenue by geographic market, irrespective of the origin of the goods and services, for the years indicated.

	For the year ended 31 December					
	2017		**2018**		**2019**	
	(*US$ millions, except* %)					
	US$	**%**	**US$**	**%**	**US$**	**%**
Geographic market						
United States	1,201	62	1,293	62	1,359	61
MENA region	630	33	656	32	719	33
Europe and rest of the world (including the UK)	105	5	121	6	129	6
Revenue	**1,936**	**100**	**2,070**	**100**	2,207	**100**

The Group's revenue increased by 7 per cent. to US$2,207 million in the year ended 31 December 2019, compared with US$2,070 million in the year ended 31 December 2018. The Group's core revenue increased by 6 per cent. to US$2,203 million in the year ended 31 December 2019, compared with US$2,076 million in the year ended 31 December 2018. The increase primarily reflected good growth in each of the Group's three businesses.

The Group's revenue increased by 7 per cent. to US$2,070 million in the year ended 31 December 2018, compared with US$1,936 million in the year ended 31 December 2017. The Group's core revenue increased by 7 per cent. to US$2,076 million in the year ended 31 December 2018, compared with US$1,936 million in the year ended 31 December 2017. The increase primarily reflected stronger demand for the Group's in-market products and new product launches.

Gross profit and margin. The Group's gross profit increased by 9 per cent. to US$1,148 million in the year ended 31 December 2019, compared with US$1,050 million in the year ended 31 December 2018. The Group's core gross profit increased by 7 per cent. to US$1,144 million in the year ended 31 December 2019, compared with US$1,072 million in the year ended 31 December 2018.

The Group's gross profit increased by 9 per cent. to US$1,050 million in the year ended 31 December 2018, compared with US$967 million in the year ended 31 December 2017. The Group's core gross profit increased by 10 per cent. to US$1,072 million in the year ended 31 December 2018, compared with US$973 million in the year ended 31 December 2017.

The Group's gross margin was 49.9 per cent., 50.7 per cent. and 52.0 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The Group's core gross margin was 50.3 per cent., 51.6 per cent. and 51.9 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The increase in 2018 was primarily due to a strong improvement in the profitability of the Generics segment as a result of the consolidation of the Group's manufacturing and distribution facilities during the year. The increase in 2019 was primarily due to growth in revenue across all business segments and a significant reduction in overhead costs arising from the closure of the Eatontown facility in 2018.

Operating expenses. The Group's operating expenses decreased by 4 per cent. to US$655 million in the year ended 31 December 2019, compared with US$679 million in the year ended 31 December 2018. The Group's core operating expenses increased by 4 per cent. to US$636 million in the year ended 31 December 2019, compared with US$612 million in the year ended 31 December 2018. These changes were driven by the changes in the operating expenses discussed below.

The Group's operating expenses decreased by 60 per cent. to US$679 million in the year ended 31 December 2018, compared with US$1,714 million in the year ended 31 December 2017. This decrease was due to operating expenses in 2017 including exceptional items of US$1,084 million that arose as a result of an impairment of the goodwill, intangible assets and property, plant and equipment related to the Columbus Acquisition. The Group's core operating expenses increased by 4 per cent. to US$612 million in the year ended 31 December 2018, compared with US$587 million in the year ended 31 December 2017. These changes were driven by the changes in the main operating expenses discussed below.

- *Selling, general and administrative expenses*. The Group's selling, general and administrative expenses increased by 5 per cent. to US$494 million in the year ended 31 December 2019, compared with US$470 million in the year ended 31 December 2018. Core selling, general and administrative expenses increased by 4 per cent. to US$453 million in the year ended 31 December 2019, compared with US$437 million in the year ended 31 December 2018. This increase primarily reflected higher employee benefits as a result of strengthening teams across the Group and lower expenses in 2018 that

resulted from a net impairment reversal on financial assets of US$11 million related to the release of doubtful debt positions.

The Group's selling, general and administrative expenses decreased by 1 per cent. to US$470 million in the year ended 31 December 2018, from US$475 million in the year ended 31 December 2017. Core selling, general and administrative expenses increased by 3 per cent. to US$437 million in the year ended 31 December 2018, from US$426 million in the year ended 31 December 2017. This increase reflected enhanced commercial activities in the United States and MENA, investments to strengthen the Group's sales and marketing capabilities and the costs of strengthening the Group's corporate functions and increasing employee benefits.

Selling, general and administrative expenses represented 25 per cent., 23 per cent. and 22 per cent. of the Group's revenue in the years ended 31 December 2017, 2018 and 2019, respectively.

- *Research and development expenses*. The Group's research and development expenses remained stable at US$150 million in the year ended 31 December 2019, compared with US$147 million in the year ended 31 December 2018. Core research and development expenses increased by 7 per cent. to US$126 million in the year ended 31 December 2019, compared with US$118 million in the year ended 31 December 2018. The increase reflects increased investment in the Injectables and Generics research and development programmes as the Group builds its pipeline of complex products.

  The Group's research and development expenses increased by 21 per cent. to US$147 million in the year ended 31 December 2018, from US$121 million in the year ended 31 December 2017. Core research and development expenses increased by 3 per cent. to US$118 million in the year ended 31 December 2018, from US$115 million in the year ended 31 December 2017. The increase reflected increased investment in the Group's Branded and Injectables R&D programmes as the Group executed its strategy to diversify its product portfolio, which was partially offset by a reduction in core R&D expenditure for the Generics segment following a detailed review of the Group's R&D pipeline in 2017.

  Research and development expenses represented 6 per cent., 7 per cent. and 7 per cent. of the Group's revenue in the years ended 31 December 2017, 2018 and 2019, respectively.

- *Other operating expenses/income, net*. Other operating expenses/income comprises the net effect of inventory-related provisions, impairment losses, net foreign exchange gains or losses from trading activities and net gains or losses from the sale of property, plant and equipment and intangible assets.

  Other operating expenses decreased by 85 per cent. to US$11 million in the year ended 31 December 2019, compared with US$73 million in the year ended 31 December 2018, due to compensation proceeds in relation to a litigation matter with an external party and an impairment reversal as illustrated in core adjustments. Core other operating expenses decreased by 16 per cent. to US$57 million in the year ended 31 December 2019, compared with US$68 million in the year ended 31 December 2018, primarily due to better management of inventory, resulting in lower inventory provisions in 2019.

  Other operating expenses decreased by 93 per cent. to US$73 million in the year ended 31 December 2018, from US$1,118 million in the year ended 31 December 2017. The decrease was primarily due to the impairment in 2017 of the goodwill, intangible assets and property, plant and equipment related to the Columbus Acquisition, which amounted to a loss of US$1,084 million. Core other operating expenses increased by 48 per cent. to US$68 million in the year ended 31 December 2018, from US$46 million in the year ended 31 December 2017. The increase was primarily due to a foreign exchange loss in 2018 compared to a gain in 2017.

Other operating expenses represented 58 per cent., 4 per cent. and nil per cent. of the Group's revenue in the years ended 31 December 2017, 2018 and 2019, respectively.

Operating profit and margin. Operating profit increased by 33 per cent. to US$493 million in the year ended 31 December 2019, compared with US$371 million in the year ended 31 December 2018. Core operating profit increased by 10 per cent. to US$508 million in the year ended 31 December 2019, compared with US$460 million in the year ended 31 December 2018.

Operating profit increased to US$371 million in the year ended 31 December 2018, compared with a loss of US$747 million in the year ended 31 December 2017. Core operating profit increased by 19 per cent. to US$460 million in the year ended 31 December 2018, compared with US$386 million in the year ended 31 December 2017.

The Group's operating margin was negative 38.6 per cent. in the year ended 31 December 2017 and 17.9 per cent. and 22.3 per cent. in the years ended 31 December 2018 and 2019, respectively. The Group's core operating margin was 19.9 per cent, 22.2 per cent. and 23.1 per cent. in the years ended 31 December 2017, 2018 and 2019, respectively. The increase in operating margin in 2018 was primarily driven by the strong growth in Generics profitability, whereas the increase in operating margin in 2019 was driven by strong revenue growth across all three business segments and a reduction in costs, particularly in the Generics segment.

Net finance expense. The Group's net debt position decreased by 33 per cent. to US$242 million in the year ended 31 December 2019, compared with US$361 million in the year ended 31 December 2018. The Group's net finance expense was nil in the year ended 31 December 2019, compared with US$77 million in the year ended 31 December 2018, after recognising non-cash interest income primarily due to the remeasurement of the contingent consideration related to the Columbus Acquisition. The Group's core net finance expense decreased by 12 per cent. to US$45 million in the year ended 31 December 2019, compared with US$51 million in the year ended 31 December 2018. This decrease was primarily due to increased cash deposits and lower debt utilisation.

The Group's net debt position decreased by 34 per cent. to US$361 million in the year ended 31 December 2018, compared with US$546 million in the year ended 31 December 2017. The Group's net finance expense was US$77 million in the year ended 31 December 2018, compared with a net finance income of US$9 million in the year ended 31 December 2017, after recognising a non-cash expense of US$26 million, which primarily resulted from the remeasurement of the contingent consideration related to the Columbus Acquisition. The decrease in the Group's net debt position resulted in the decrease in core net finance expense to US$51 million in the year ended 31 December 2018, compared with US$58 million in the year ended 31 December 2017.

Profit/(loss) before tax. The Group's profit before tax increased by 68 per cent. to US$491 million in the year ended 31 December 2019, compared with US$293 million in the year ended 31 December 2018 due to the reasons described above.

The Group's profit before tax increased to US$293 million in the year ended 31 December 2018, compared with a loss of US$738 million in the year ended 31 December 2017 due to the reasons described above.

Tax. The Group had tax expenses of US$101 million, US$8 million and US$4 million in the years ended 31 December 2017, 2018 and 2019, respectively. The Group had core tax expenses of US$72 million, US$73 million and US$100 million in the years ended 31 December 2017, 2018 and 2019, respectively.

The Group's effective tax rate in the years ended 31 December 2017, 2018 and 2019 was (13.7) per cent., 2.7 per cent. and 0.8 per cent., respectively. The reduction in the year ended 31 December 2019 compared to the previous year was due to the utilisation of previously unrecognised tax losses and deferred tax benefits recognised upon the internal reorganisation of intangible assets. The increase in the year ended 31 December

2018 compared to the previous year was primarily due to the recognition of previously unrecognised deferred tax assets and favourable prior year tax rulings in the United States.

The Group's core effective tax rate in the years ended 31 December 2017, 2018 and 2019 was 22.0 per cent., 17.9 per cent. and 21.5 per cent., respectively. The increase in the year ended 31 December 2019 compared to the previous year was primarily due to a change in the geographic mix of earnings. The decrease in the year ended 31 December 2018 compared to the previous year was primarily due to a reduction in the effective tax rate in the United States and smaller uncertain tax positions.

Profit attributable to equity holders of the parent. The Group's profit attributable to equity holders of the parent increased by 72 per cent. to US$486 million in the year ended 31 December 2019, compared with US$282 million in the year ended 31 December 2018. The Group's core profit attributable to equity holders of the parent increased by 10 per cent. to US$364 million in the year ended 31 December 2019, compared with US$332 million in the year ended 31 December 2018 due to the reasons described above.

The Group's profit attributable to equity holders of the parent increased to US$282 million in the year ended 31 December 2018, compared with a loss of US$843 million in the year ended 31 December 2017. The Group's core profit attributable to equity holders of the parent increased by 32 per cent. to US$332 million in the year ended 31 December 2018, compared with US$252 million in the year ended 31 December 2017 due to the reasons described above.

Basic earnings/(losses) per share. Basic earnings/(losses) per share were losses of 351.3 cents, earnings of 117.0 cents and earnings of 200.8 cents in the years ended 31 December 2017, 2018 and 2019, respectively. Core basic earnings per share were 105.0 cents, 137.8 cents and 150.4 cents in the years ended 31 December 2017, 2018 and 2019, respectively.

Core adjustments

The Group's core results discussed above represent the Group's reported results adjusted for the following exceptional items and other adjustments. A reconciliation of these core results to the reported results is set out in "*Selected Consolidated Financial Information—Core results*".

In 2019, the core adjustments comprised:

- US$24 million of research and development costs related to a repeat clinical endpoint study for generic Advair Diskus®. The study and certain additional information was submitted to the US FDA for their review in November 2019;
- US$17 million of losses related to damaged inventory and the cost to remediate property, plant and equipment as a result of a fire that broke out in a warehouse at one of the Group's Jordan facilities which serves the Generics and Branded segments. These costs are included in other operating expenses/income. As at 31 December 2019, the Group had received insurance compensation of US$4 million related to the fire incident resulting in a net exceptional expense of US$13 million. The Group expects to receive final insurance compensation in the second half of 2020 and the amount receivable related to this contingent asset cannot be measured reliably and is dependent on the final outcome of the insurance claim;
- US$32 million of income related to a litigation matter with an external party where one of the Group's product's sales were halted by a temporary restraining order and an injunction. The litigation was resolved in the Group's favour and a payment was received from the plaintiff representing lost profit over the affected time period. This is included in other operating expenses/income;
- US$7 million of contingent consideration adjustment in relation to a change in estimate of the amount of expected contingent payments the Group was entitled to receive under the terms of the Columbus

Acquisition agreement. This is included in other operating expenses/income and cash was received and is included in cash flow from investing activities;

- US$7 million of severance and restructuring costs related to one-off organisation restructuring in the MENA region and mainly included in selling, general and administrative expenses;
- US$4 million of a released provision for integration costs (in relation to the Columbus Acquisition). This was previously provided for in 2018 as exceptional items included in revenue;
- US$4 million loss from divestiture of Medlac investment;
- US$21 million impairment reversal of product related intangibles related to specific product related assets in the Generics segment offset by a US$1 million impairment charge. This is included in other operating expenses/income;
- US$49 million from the utilisation of previously unrecognised deferred tax assets following the internal reorganisation of intangible assets;
- US$48 million tax benefit associated with the internal reorganisation of intangible assets;
- US$1 million tax impact of the pre-tax exceptional items based on the jurisdiction where those exceptional items occurred;
- US$34 million of intangible amortisation other than software; and
- US$45 million related to a remeasurement of contingent consideration, financial liability and asset (net), which represents the net difference resulting from the valuation of the liabilities and assets associated with the future contingent payments receivables in respect of the Columbus Acquisition and the financial liability in relation to the co-development earnout payment agreement in respect of certain generic injectable products that were acquired from Boeringher Ingelheim Corp. The remeasurement is included in finance expense/income.

In 2018, the core adjustments comprised:

- US$29 million of research and development costs related to a repeat clinical endpoint study for generic Advair Diskus®, which was offset by the US$29 million of contingent consideration gain received from Boehringer Ingelheim Corp. in 2017, with both the compensation and the repeat clinical study cost treated as exceptional items;
- US$30 million of integration and other costs incurred in relation to the restructuring of the Columbus, Ohio manufacturing facility and the closure of the Eatontown manufacturing facility, in addition to the consolidation of the distribution centre in the United States, of which US$6 million is included in revenue, US$16 million is included in cost of sales, US$2 million in sales and marketing, US$1 million in general and administrative and US$5 million in other operating expenses/income;
- US$43 million tax benefit associated with prior year impairment loss recognised in 2018;
- US$13 million tax benefit from the prior year's favourable US tax ruling that relates to the benefit associated with a change in the tax reporting for chargebacks in the United States;
- US$9 million tax impact of the pre-tax exceptional items based on the jurisdiction where those exceptional items occurred;
- US$30 million of intangible amortisation other than software; and

- US$26 million related to a remeasurement of contingent consideration, financial liability and asset (net), which represents the net difference resulting from the valuation of the liabilities and assets associated with the future contingent payments receivables in respect of the Columbus Acquisition and the financial liability in relation to the co-development earnout payment agreement in respect of certain generic injectable products that were acquired from Boeringher Ingelheim Corp. The remeasurement is included in finance expense/income.

In 2017, the core adjustments comprised:

- US$26 million of acquisition, integration and other costs incurred in relation to the Columbus Acquisition and disposal of the Eatontown plant, included in the cost of sales, general and administrative expenses, sales and marketing expenses, research and development expenses and other operating expenses/income;
- US$407 million impairment of the goodwill from the Columbus Acquisition related to the unfavourable industry developments in the US generics industry in the second half of 2017, included in other operating expenses/income;
- US$677 million impairment of product related intangible assets, property, plant and equipment and others, related to the impairment of assets from the Columbus Acquisition, including product rights, in process R&D, software and property, plant and equipment, included in other operating expenses/income;
- US$4 million impairment of other product-related intangible assets, included in research and development expenses;
- US$29 million contingent consideration gain representing compensation received from Boehringer Ingelheim Corp. for failure to receive FDA approval of generic Advair Diskus® before 24 December 2017, as to obtain approval, the FDA required the completion of an additional clinical endpoint study;
- US$49 million which represented the estimated impact on the US deferred tax asset of lowering the US federal tax rate under the US tax reform bill which was signed in December 2017 and effective from 1st January 2018;
- US$20 million tax impact of the pre-tax exceptional items based on the jurisdiction where those exceptional items occurred;
- US$48 million of intangible amortisation other than software; and
- US$67 million related to a remeasurement of contingent consideration, financial liability and asset (net), which represents the net difference resulting from the valuation of the liabilities and assets associated with the future contingent payments receivables in respect of the Columbus Acquisition and the financial liability in relation to the co-development earnout payment agreement in respect of certain generic injectable products that were acquired from Boeringher Ingelheim Corp. The remeasurement is included in finance expense/income.

Liquidity and Capital Resources

Overview

The Group's liquidity requirements arise primarily from the need to fund its capital expenditure programme, investments to develop its product portfolio, investments in working capital and the development and expansion of its sales, marketing and distribution network in new and existing markets. The Group has primarily financed its operations through its cash flows and amounts available under its credit facilities and other borrowings.

Cash flows

Net cash inflow from operating activities was US$443 million in the year ended 31 December 2017, US$430 million in the year ended 31 December 2018 and US$472 million in the year ended 31 December 2019. The increase in the year ended 31 December 2019 compared to the previous year primarily reflects the increase in the Group's operating profits. Net cash outflow from investing activities was US$151 million in the year ended 31 December 2017, US$96 million in the year ended 31 December 2018 and US$151 million in the year ended 31 December 2019. The increase in net cash outflow from investing activities in the year ended 31 December 2019 compared to the previous year was primarily due to investing in capital expenditures, including intangible capital expenditures. See *"—Capital expenditures*" below. Net cash outflow from financing activities was US$220 million in the year ended 31 December 2017, US$278 million in the year ended 31 December 2018 and US$155 million in the year ended 31 December 2019.

The Group's cash and cash equivalents at the beginning of the year was US$155 million, US$227 million and US$276 million in the years ended 31 December 2017, 2018 and 2019, respectively. The Group's cash and cash equivalents at the end of the year was US$227 million, US$276 million and US$442 million in the years ended 31 December 2017, 2018 and 2019, respectively.

In the years ended 31 December 2017, 2018 and 2019, the Group had 225, 210 and 202 Working Capital Days, respectively.

Capital expenditures

The Group's capital expenditure was US$107 million, US$107 million and US$119 million in the years ended 31 December 2017, 2018 and 2019, respectively. The Group's capital expenditure represents the purchase of property, plant and equipment and is derived from the Group's consolidated cash flow statement. Of the US$119 million expenditure during the year ended 31 December 2019, US$36 million was spent in the United States to upgrade equipment and add new technologies for the Group's Generics and Injectables businesses. In the MENA region, US$63 million was spent strengthening and expanding manufacturing capabilities. The remaining US$20 million was spent in Europe expanding facilities in Portugal, where the Group recently completed construction of its new high containment operation, which has begun commercial production.

Of the US$107 million expenditure during the year ended 31 December 2018, US$45 million was spent in the United States to expand the manufacturing capacity and capabilities of the Generics and Injectables businesses. In the MENA region, US$44 million was spent on strengthening the Group's manufacturing capabilities in Algeria and upgrading its facilities in Jordan, Algeria and Egypt to manufacture new in-licensed products. In Europe, the Group spent US$18 million, primarily on the expansion of its manufacturing facilities in Portugal.

Of the US$107 million expenditure during the year ended 31 December 2017, US$67 million was spent in the United States to expand the manufacturing capacity and capabilities of the Group's Injectables and Generics businesses. In the MENA region, US$25 million was spent to maintain and upgrade the Group's equipment and facilities across a number of markets. A further US$15 million was spent in Europe, building the Group's dedicated oncology facility in Portugal.

The Group finances its capital expenditures through its cash flows and amounts available under its credit facilities and other borrowings. The Group's capital expenditures primarily relate to the maintenance, upgrading and expansion of its global manufacturing facilities, the addition of new production and R&D lines and the purchase of machinery and equipment.

Financial debts

The Group's financial debts as at 31 December 2019 primarily comprised:

- a US$500 million 4.25% bond, which has since matured and was repaid on 9 April 2020. The proceeds were used to refinance existing debt and to finance part of the cash consideration of the Columbus Acquisition;
- a syndicated revolving credit facility of US$1,000 million. The Group entered into a US$1,175 million revolving credit facility on 27 October 2015 with Arab Bank Plc, Wholesale Banking Branch, Kingdom of Bahrain; Bank of America Merrill Lynch International Limited; Citibank, N.A., London Branch; Commerzbank Aktiengesellschaft, London Branch; Emirates NBD PJSC, London Branch; HSBC Bank Middle East Limited; Mizuho Bank, Ltd.; National Bank of Abu Dhabi PJSC, London Branch; National Bank of Kuwait International Plc.; National Bank of Kuwait S.A.K., Bahrain Branch (the "RCF"). US$175 million of the RCF matured on 24 December 2019, and the remaining US$1,000 million matures on 24 December 2021. As at 31 December 2019, the RCF had an outstanding balance of nil and a US$1,000 million unused available limit for general corporate purposes. As at 26 June 2020, the RCF had an outstanding balance of US$550 million and US$450 million available for draw down. The RCF contains market standard covenants, including certain financial covenants. Among the financial covenants are undertakings to maintain a ratio of total debt to EBITDA of not more than 4.0:1; and
- a ten-year US$150 million loan from the IFC that the Group entered into on 21 December 2017. While there was no utilisation of the loan as at 31 December 2019, it was fully utilised on 28 April 2020 for general corporate purposes. Quarterly equal repayments of the long-term loan will commence on 15 March 2021. The facility matures on 15 December 2027. The IFC facility contains market standard covenants, including certain financial covenants. Among the financial covenants is an undertaking to maintain a ratio of total debt to EBITDA of not more than 4.00:1.

The following table provides the Group's financial debts (excluding bank overdrafts, import and export financing and short-term loans) by maturity as at 31 December 2019. On 9 April 2020, the Group repaid its US$500 million 4.25% bond using funds drawn down from its RCF, which, following repayments and a further draw down, had an outstanding balance of US$550 million and US$450 million available for draw down as at 26 June 2020. The Group also drew down the full US$150 million from its IFC facility on 28 April 2020.

	Within one year	**One to three years**	**Three to five years**	**More than five years**	**Total**
			(US$ millions)		
Financial debts	509	24	21	3	557

Contingent liabilities

As at 31 December 2019, the Group had approximately US$98 million in contingent liabilities, which primarily represented contractual liabilities to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones and royalty payments based on future sales of certain products that are currently under development. These liabilities were recognised as part of the Columbus Acquisition. In 2019, US$78 million of this balance was reclassified to other current liabilities.

The Group is also involved in a number of legal proceedings in the ordinary course of 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. Management does not believe sufficient evidence exists at this point to make any provision with respect to any litigation described in "*Business—Legal Proceedings*".

Off-balance sheet arrangements

As at 31 December 2019, the Group had approximately US$52 million in off-balance sheet arrangements, primarily related to external guarantees and letters of credit arising in the normal course of business (US$40 million), a standby letter of credit for a potential stamp duty obligation that may arise for repayment of a loan by intercompany guarantors (US$9 million) and a potential tax liability related to certain tax exemptions offered by the UK tax authorities (US$3 million). No provision for these liabilities has been made in the consolidated financial statements.

Quantitative and Qualitative Disclosure on Market Risks

For more information on the Group's financial risks and sensitivity analyses, see note 30 of the Group's 2017 Financial Statements, note 31 of the Group's 2018 Financial Statements and note 30 of the Group's 2019 Financial Statements.

For information on the adoption of new and revised accounting standards and their effect on the Group's financial information, see Notes 1 and 44 of the 2018 Financial Statements and Notes 1 and 34 of the 2019 Financial Statements.

BUSINESS

Overview

Hikma is a fast-growing pharmaceutical group focused on developing, manufacturing and marketing a broad range of high quality generic and branded generic pharmaceutical products, and manufacturing and marketing a growing portfolio of in-licensed pharmaceutical products. The Group conducts its business primarily in the United States, the MENA region and Europe. In the year ended 31 December 2019, the Group's product portfolio comprised more than 690 generic, branded generic and branded pharmaceutical products across its markets. The Group conducts its operations through three principal segments: Injectables, Generics and Branded.

- The Injectables segment develops and manufactures generic injectable products that are sold globally and primarily used in hospitals. The Injectables segment operates five manufacturing facilities, in which there are seven plants, in the United States, Portugal, Germany, Italy and Egypt, and sells its products primarily in the United States, as well as in the MENA region and Europe. As at 31 December 2019, the Group was the third largest manufacturer of generic injectables pharmaceuticals in the United States by volume, according to IQVIA. For the year ended 31 December 2019, the Injectables segment accounted for US$890 million, or 40 per cent., of the Group's core revenue and US$338 million, or 67 per cent., of the Group's core operating profit.
- The Generics segment develops and manufactures oral and other non-injectable generic pharmaceutical products for sale in the US retail market. The Generics segment operates a manufacturing facility, in which there are two plants, in the United States and is also supported by the Group's US FDA-inspected plants in Jordan and Saudi Arabia. For the year ended 31 December 2019, the Generics segment accounted for US$719 million, or 33 per cent., of the Group's core revenue and US$124 million, or 24 per cent., of the Group's core operating profit.
- The Branded segment develops, manufactures and markets branded generic pharmaceutical products and, as a leading licensing partner in the MENA region, in-licensed branded pharmaceutical products, for sale in retail and hospital markets across the MENA region. The Group's Branded segment is supported by 14 manufacturing facilities, in which there are 23 plants, in seven countries, including Saudi Arabia, Egypt, Algeria and Jordan. The Group is a leading pharmaceutical company in the MENA region, selling its products in 18 markets. For the year ended 31 December 2019, the Branded segment accounted for US$583 million, or 26 per cent., of the Group's core revenue and US$129 million, or 25 per cent., of the Group's core operating profit.

The principal activities and primary product lines of the Group's operating segments for the year ended 31 December 2019 are summarised below:

Revenue for the year ended 31 December 2019	% of revenue for the year ended 31 December 2019	Principal activities as at 31 December 2019	Principal geographies
Injectables US$894 million	*41%*	• Markets 309 generic injectable pharmaceutical products across a diverse range of therapeutic categories, including anti-infectives,	United States MENA region Europe

Revenue for the year ended 31 December 2019	% of revenue for the year ended 31 December 2019	Principal activities as at 31 December 2019	Principal geographies
		oncology, central nervous system ("CNS") and pain management. • Operates manufacturing facilities in the United States, Portugal, Germany, Italy and Egypt. Manufacturing capabilities include sterile liquid, vials, IV bags, prefilled syringes, lyophilised and cytotoxic products. • Top five products: fentanyl (anaesthetic/analgesic), morphine, nicardipine, testosterone cypionate and pantoprazole.	
Generics US$719 million	*33%*	• Markets 105 oral and non-injectables generic pharmaceutical products. • Operates manufacturing facilities in Columbus, Ohio. Manufacturing capabilities include solids, liquids, nasal sprays and dry powder inhalers. • Top five products: fluticasone, colchicine, ipratropium, dexamethasone and buprenorphine.	United States
Branded US$583 million	*26%*	• Markets 277 branded generic pharmaceutical products, across 18 countries. • Approximately 2,000 employees responsible for sales and marketing across the MENA region. • Top five products: Prograf® (immunosuppressive agent),	MENA region (Saudi Arabia, Algeria and Egypt are the largest markets)

Revenue for the year ended 31 December 2019	% of revenue for the year ended 31 December 2019	Principal activities as at 31 December 2019	Principal geographies
		Amoclan® (amoxicillin, clavulanic acid), Megamox® (amoxicillin, clavulanic acid), Suprax® (cephalosporin) and Blopress® (cardiovascular).	

In total, the Group operates 19 facilities, in which there are 31 plants, in the United States, Portugal, Germany, Italy, Jordan, Saudi Arabia, Egypt, Sudan, Algeria, Tunisia and Morocco, of which 12 are US FDA-inspected plants located in Jordan, Saudi Arabia, United States, Portugal and Germany and 11 are EMA-inspected plants located in Jordan, Saudi Arabia, United States, Portugal, Italy and Germany.

For the year ended 31 December 2019, the Group had revenue of US$2,207 million and core revenue of US$2,203 million. The Group's operating profit and core operating profit for the year ended 31 December 2019 were US$493 million and US$508 million, respectively.

History

The Group was founded in 1978 in Amman, Jordan by Mr. Samih Darwazah, its former Chairman and Chief Executive Officer who retired in May 2014. At the time of its foundation, the Group was focused on developing, manufacturing and marketing pharmaceutical products in the MENA region. In the late 1980s and the early 1990s, the Group expanded outside the MENA region by establishing injectable pharmaceutical operations in Portugal and acquiring West-Ward Pharmaceuticals, a generics pharmaceutical business, in the United States. In this period, the Group also made important acquisitions in Tunisia and Saudi Arabia that further strengthened its position across the MENA region.

From the mid-1990s through the early 2000s, the Group significantly expanded its operations in the United States, the MENA region and Europe through organic growth and investment in greenfield projects. In 2005, the Group listed on the London Stock Exchange, raising gross proceeds of US$124 million. A successful initial public offering enhanced the Group's flexibility to grow the business both organically and through acquisitions. From 2005 onwards, the Group expanded its presence in existing markets and entered new markets in the MENA region. It also made significant acquisitions in Europe and the United States to strengthen its Injectables and Generics business segments.

Key events in the Group's history include:

1978 — Commenced manufacturing branded generic pharmaceutical products in Jordan for the Middle East market.

1990 — Acquired land in Sintra, Portugal for the construction of an injectable pharmaceutical products manufacturing plant.

1991 — Entered the United States market through acquisition of West-Ward Pharmaceutical Corp. with facilities in Eatontown, New Jersey, USA.

1993 — Entered the Tunisian market through acquisition of a minority stake in Industries Pharmaceutiques Ibn Al Baytar ("IAB").

1999 — Started manufacturing operations of Jazeera Pharmaceutical Industries ("JPI") in Saudi Arabia and entered the Saudi market.

2001 — Manufacturing facilities in Portugal approved by the US FDA. The Group started to manufacture injectable powder cephalosporins for sale in the MENA region and Portugal.

2003 — The Injectables segment commenced commercial scale production of liquid injectables.

2005 — The Injectables segment expanded into the lyophilised segment of the injectables market with the acquisition of a specialised manufacturing plant in Italy.

Listed on the London Stock Exchange, raising gross proceeds of US$124 million.

2006 — JPI, the Group's associate business in Saudi Arabia, became a wholly-owned subsidiary and its manufacturing facilities in Saudi Arabia received US FDA approval.

Started manufacturing operations in Trust Pharma Algeria.

2007 — Expanded into the generic injectable oncology market through the acquisitions of Ribosepharm GmbH and Thymoorgan in Germany.

Entered the Egyptian pharmaceutical market through the acquisition of Alkan Pharma and strengthened its market presence in Jordan through the acquisition of Arab Pharmaceutical Manufacturing Company ("APM").

2008 — Completed share placement raising US$160 million.

2010 — Strengthened position in the Tunisian market through increasing its stake in IAB and, consequently, its 100 per cent. owned subsidiary Medicef.

Acquired Al Dar Al Arabia in Algeria, for penicillin production.

2011 — Expanded the Injectables segment through the acquisition of Baxter Healthcare Corporation's multi-source injectables business ("MSI").

Entered the Moroccan market through the acquisition of Société de Promotion Pharmaceutique du Maghreb S.A. ("SPPM").

Strengthened position in Sudan through acquisition of Elie Pharmaceuticals, which included a manufacturing facility and a number of product registrations.

Acquired minority stake in Hubei Haosun Pharmaceutical Co. Ltd ("Haosun"), a Chinese company developing and manufacturing complex API with a focus on oncology. Haoson's facilities are approved by the US FDA.

2013 — Acquired Egyptian Company for Pharmaceuticals and Chemical Industries ("EPCI") to strengthen the Group's position in the Egyptian market.

2014 — Acquired substantially all of the assets of Ben Venue Laboratories, Inc., a subsidiary of Boehringer Ingelheim Corp., in Bedford, Ohio, USA, which significantly increased the scale and scope of the Injectables segment, adding a large product portfolio, a strong R&D and business development pipeline and a number of employees across key business functions.

2016— Acquired Roxane Laboratories, Inc. (now known as Hikma Labs Inc.) and Boehringer Ingelheim Roxane, Inc. (now known as West-Ward Columbus Inc.) in Columbus, Ohio, USA from Boehringer Ingelheim Corp., which added significant breadth to the Group's Generics segment and expanded the Group's manufacturing capacity and technological capabilities.

Acquired EIMC United Pharmaceuticals, establishing the Group's first injectables manufacturing plant in MENA, and further strengthening the Group's position in the Egyptian market.

2018 — Appointed new Chief Executive Officer, Sigurdur (Siggi) Olafsson, the first non-family Chief Executive, bringing extensive industry experience to lead the Group through its next phase of growth.

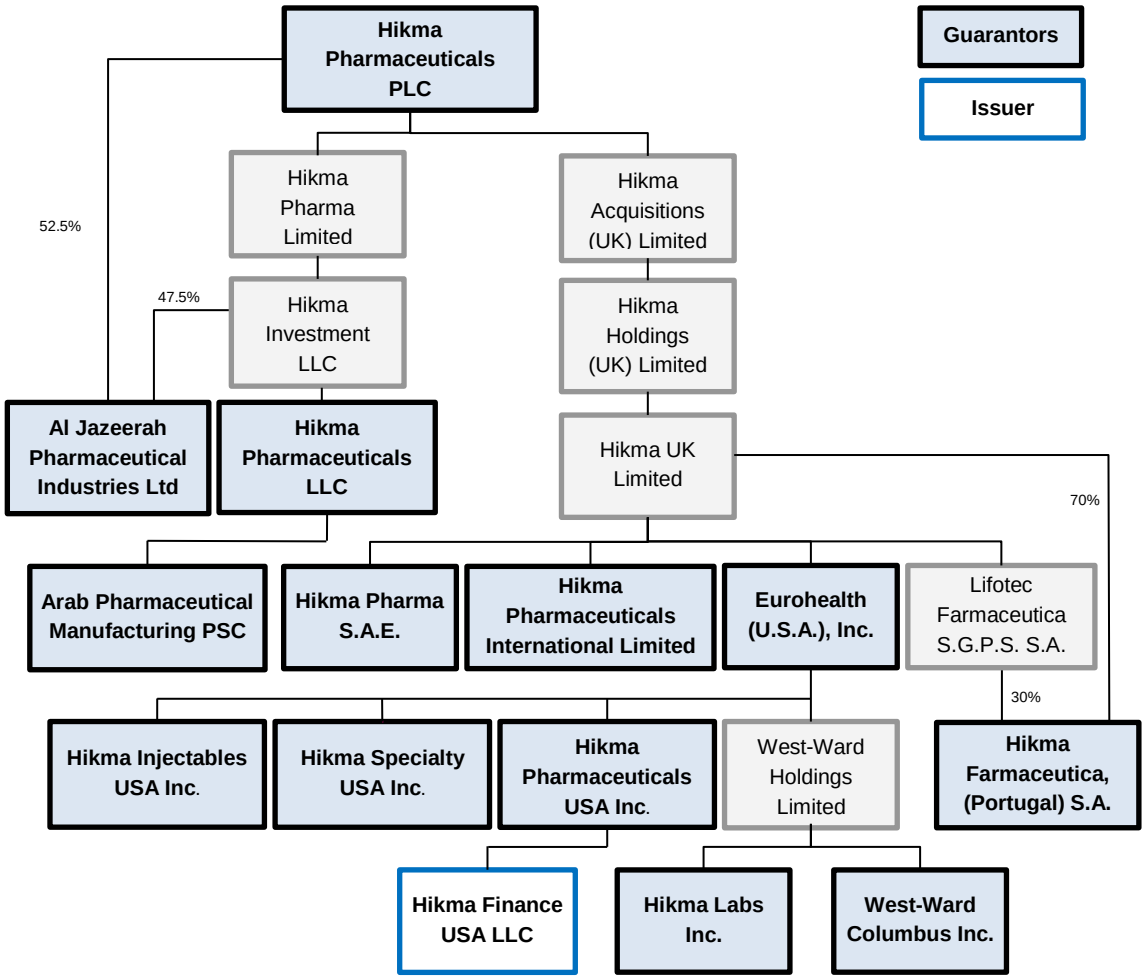
Consolidated US operations in Columbus, Ohio and closed Eatontown, New Jersey plant and Memphis, Tennessee distribution centre.

2019— Acquired naloxone and epinephrine nasal sprays from Insys Therapeutics, Inc., expanding the Group's nasal spray capabilities and pipeline.

2020— Signed an exclusive US license agreement with Glenmark Specialty S.A., a Swiss subsidiary of Glenmark Pharmaceuticals, to commercialise Ryaltris™, a novel fixed-dose combination nasal spray.

Organisational Structure

The following chart shows the organisational structure of the main subsidiaries and holdings of the Group as at the date of this Offering Circular:



As at and for the years ended 31 December 2018 and 31 December 2019, the aggregate of the unconsolidated combined Core EBITDA of the Guarantors (calculated on the same basis as provided in Condition 5.4) represented 88.6 per cent. and 88.4 per cent., respectively, of the Group's Consolidated Core EBITDA (calculated on the same basis as provided in the definition thereof in Condition 19). For more information on the Group's Core EBITDA on which these percentages are based and how it is calculated, see "*Selected Consolidated Financial Information—Key Performance Indicators*".

The Group's Strategy

The Group's strategy is to deliver high quality, affordable medicines and make healthcare more accessible to patients by:

- Delivering more from a strong foundation;
- Building a portfolio that anticipates future health needs; and

- Inspiring and enabling its people.

The Group aims to maximise the potential of its broad product portfolio and global market presence by leveraging its highly skilled sales and marketing teams and strong customer relationships. The Group strengthens its product pipeline through a greater focus on differentiated products, leveraging both in-house R&D and external partnerships. These differentiated products typically have more complex manufacturing processes and fewer competitors, such as pre-filled syringes, IV bags and dry powder inhalers. The Group continuously develops its highly skilled, effective and diverse workforce, while maintaining a firm commitment to operational excellence to ensure it maintains high-quality, efficient and regulatory-compliant manufacturing facilities. The Group makes capital investments across its segments, including acquisitions, to expand its global product portfolio, technological capabilities and manufacturing capacity. In delivering its strategy, the Group is increasing patient access to high-quality, affordable medicines and ensuring sustainable long-term growth.

Deliver more from a strong foundation

The Group benefits from its broad product portfolio, strong commercial capabilities, high-quality manufacturing facilities and an extensive network of global partners. Over the past two years, the Group has focused on strengthening and enhancing these assets, maximising the potential of its products through a focus on commercial and operational excellence and a lean cost base, reflecting the Group's consolidation of its US manufacturing facilities in 2018 and continued efforts to identify alternative API suppliers.

In its Injectables segment, the Group seeks to sustain growth by deriving value from its broad product portfolio, strengthening and expanding its customer relationships and leveraging its extensive, flexible and high-quality manufacturing capacity.

In its Generics segment, the Group seeks to continue to extract value from its differentiated product portfolio. Over the past few years, the Group has strengthened the Generics segment's commercial teams and enhanced the efficiency of its operations, driving increased demand for its more differentiated products, delivering significant improvements in customer relationships and service levels, and cutting costs.

In its Branded segment, the Group seeks to enhance its leading position in the MENA region by making high-value, differentiated pharmaceutical products in key therapeutic areas more accessible to patients, leveraging its large and highly skilled team of approximately 2,000 employees responsible for sales and marketing. The Branded segment has introduced a tiered market strategy in MENA to focus its efforts and drive maximum value from its Tier 1 markets, Egypt, Algeria and Saudi Arabia, which have the highest revenue in the region and offer the greatest growth potential. The Branded segment's product portfolio is increasingly focused on certain higher value therapeutic categories, including oncology, diabetes, CNS and respiratory.

Build a portfolio that anticipates future health needs

One of the Group's key strategic priorities is to build a portfolio of products that meets the evolving needs of healthcare professionals and patients to deliver sustainable growth in competitive markets. The Group aims to do this through investment in internal R&D, strategic partnerships and product acquisitions.

The Group currently invests six to seven per cent. of Group revenue annually on the internal development of products for all three of its business segments. The Group's R&D expenses were US$150 million, US$147 million and US$121 million in 2019, 2018 and 2017, respectively. The Group believes that it can improve its return on this investment by improving the efficiency of its R&D teams and developing more complex, difficult-to-make products that meet the health needs of healthcare professionals and patients. To this end, the Group has concentrated all R&D activities under one global function and appointed a new Chief Scientific Officer to oversee the Group's product selection and development activities globally. The Group's target is to increase the percentage of core revenue coming from new product launches to 10 per cent. of core revenue by 2023. In the 18 months ended 31 December 2019, new product launches accounted for 4 per cent. of core revenue.

To supplement its internal R&D programme, the Group looks to add more differentiated products through licensing and co-development agreements. The Group has a long and successful track record of working with partners to bring innovative and differentiated products to market. In 2019, the Group signed licensing agreements for 18 products in the United States, including an agreement with Arecor for the development of a ready-to-use injectable medicine using Arecor's proprietary drug formulation technology platform Arestat™. In the MENA region, the Group signed six licensing agreements with partners, including Gedeon Richter and Chiesi Farmaceutici.

The Group has historically built and expects to continue to build a more differentiated product pipeline through a combination of organic development and asset and company acquisitions. This selective and disciplined acquisition strategy offers the Group the potential to identify companies or parts of companies that it believes possess products, R&D expertise, manufacturing capabilities and/or technologies that will complement or enhance its existing portfolio and operations, and create value for its shareholders. For example, in 2019, the Group acquired the nasal spray assets of Insys, including the unit-dose nasal spray manufacturing lines and two products in development, strengthening the nasal spray capabilities of its Generics segment and building on its position as the largest supplier of nasal sprays in the United States.

In addition, the Group considers a target's expansion potential, how easily it can be integrated into the Group's operating model and the likely internal rate of return on its investment. The Group also compares its expected investment return on potential acquisitions of products and technologies with those likely to be realised were it to develop similar products or technologies organically.

To deliver on its strategy, and knowing that acquisitions are opportunistic in nature, the Group is actively exploring further acquisition opportunities to expand its business, some of which, if consummated, would be significant in size.

Inspire and enable our people

The Group is focused on developing and retaining its employees as well as attracting new talent. It believes that having a culture that inspires and enables its employees will allow the Group to achieve its strategy and growth targets. The Group implemented initiatives to improve employee engagement and enablement and has taken steps to promote collaboration and communication across the organisation. For example, in 2019, the Group conducted its first all-employee culture survey, which provided insight into the Group's strengths as well as areas for improvement. In addition, the Group holds an annual Global Leadership Conference, which brings together 180 leaders from more than 20 countries across the Group and serves as a forum for sharing experiences and best practices across the business. These initiatives are driving actions to ensure the Group builds a culture that enables and engages its employees to successfully deliver its strategy.

Competitive Strengths

Unique and diversified business model and broad product portfolio

The Group is uniquely positioned, with three distinct business segments, strong foundations in the United States, MENA and Europe, and a broad product offering. The Group benefits from its position as a leading manufacturer of generic pharmaceutical products in the United States with a strong position in both the retail market, through its Generics segment, and the hospital market, through its Injectables segment. This is enhanced by its leading presence in the MENA region, and its growing position in the European injectables market.

In the year ended 31 December 2019, the Group's three principal segments marketed more than 690 pharmaceutical products across its markets. Of these, the Injectables segment marketed 309 products, the Generics segment marketed 105 products and the Branded segment marketed 277 products. In addition to its large product portfolio, the Group benefits from its more differentiated product offering that includes sterile

injectables, pre-filled syringes, nasal sprays, and respiratory products and spans growing therapeutic categories such as cardiovascular, diabetes, central nervous system and oncology.

Strong market position in the United States

The addressable market for generic pharmaceutical products in the United States was US$29 billion in 2019, according to IQVIA. Within that market, the Group was the eighth largest generic pharmaceutical company in the United States by revenue in 2019, according to IQVIA. Additionally, the Group was the eleventh largest generic pharmaceutical company in the non-injectable retail generic market and the third largest generic pharmaceutical company in the generic injectables market by volume, according to IQVIA. Over the course of 2019, the Group maintained its market share in the United States in both the non-injectable and injectable markets by leveraging its strong market position as one of the leading suppliers in the United States.

Additionally, quality concerns arising from other suppliers' manufacturing issues have led to drug shortages across the United States, where currently more than 200 products are in short supply, according to the American Society of Health-System Pharmacists. The Group plays an important role in alleviating these shortages. The Group was recently selected by Civica Rx, the US non-profit organisation established to reduce and prevent drug shortages, as a partner to provide essential injectable medicines that are in short supply to hospitals in the United States.

The Group has more than 140 dedicated sales and marketing professionals in the United States who work closely with group purchasing organisations ("GPOs"), which aggregate customers to obtain volume-based discounts, hospitals, healthcare professionals, retailers and wholesalers, to build strong relationships and enhance service levels. In recent years, the Group has made significant investments in its commercial teams and enhanced its service levels, which has enabled the Group to build stronger customer relationships.

Leading market position in the MENA region

The Group is a leading pharmaceutical company in the MENA region, with sales across 18 countries within the MENA region. As at 31 December 2019, the Group had a large, dedicated and highly trained sales and marketing force of approximately 2,000 employees, with a particularly strong presence in Egypt, Algeria, Saudi Arabia and Jordan. In addition, the Group has sales and marketing capabilities in Morocco, Sudan, Lebanon, Tunisia, Iraq, Libya and the countries of the GCC. Across the region, the Group benefits from its local management teams and a network of distribution partners, which includes its own distribution companies in certain markets. The Group's local expertise, along with robust distribution capabilities, allows it to effectively navigate through the unpredictable conditions of the MENA region and efficiently respond to any challenges it may pose. The Group believes its extensive presence in the MENA region is a significant advantage over any new competitors who may wish to enter these markets, given the costs and regulatory hurdles to establishing a pharmaceutical business in the region.

The Group believes that the high quality of its products, strong brand recognition and long-standing relationships with physicians, hospitals, pharmacies and purchasing groups for hospitals position it as a partner of choice for licensing products in the MENA region and enhance its competitive position. Due to its high-quality and extensive manufacturing and distribution capabilities, the Group can offer a comprehensive range of services to its licensing partners, including development, manufacturing, registration, promotion and pharmacovigilance monitoring of pharmaceutical products.

Efficient, experienced and successful research and development team

The R&D function is focused on the development of new generic medicines for the United States, MENA and Europe. In 2019, the Group concentrated all R&D activities under one global function and appointed a new Chief Scientific Officer to lead this function. The Group develops a range of pharmaceutical products across

different therapeutic categories and is focused on developing more complex products with higher barriers to competition, which leverage the Group's strong global manufacturing capabilities.

As at 31 December 2019, the Group's R&D team consisted of 451 professionals and scientists. The Group's R&D capabilities cover a wide range of products, including solid oral dosage forms (such as tablets and capsules), inhalations, semi-solid, liquid (such as ointments and creams) and injectable pharmaceutical products. In the year ended 31 December 2019, the Group had 108 new product launches and received 169 approvals. To ensure continuous development of its product pipeline, the Group submitted 357 regulatory filings.

Large and growing product pipeline

The Group's broad product portfolio has allowed it to deliver strong organic growth over the past couple of years. One of the Group's main strategic priorities is to build a portfolio of complex and differentiated products to sustain growth. It aims to do so by increasing the number of products in its pipeline and adding more complex products in each business segment. As at 29 February 2020, the Injectables segment had 126 products in its pipeline for the United States, including pre-filled syringes, IV bags, liquid vials and lyophilised products, 21 of which were complex generic products. In the Generics segment, there were 91 products in the pipeline, including nasal sprays, Paragraph IV opportunities (allowing the Group to market a generic drug before the patents for the related brand-name drug expire) and dry powder inhalers. In 2019, the Group achieved an important milestone in its respiratory programme by completing its clinical endpoint study for a generic version of GSK's Advair Diskus® and submitting its response to the US FDA. In the Branded segment, with respect to the segment's top five MENA markets of Saudi Arabia, Egypt, Algeria, Jordan and Morocco, the product pipeline is well diversified and included a total of 296 products, with 68 products in Saudi Arabia, 68 products in Egypt, 75 products in Algeria, 46 products in Jordan and 39 products in Morocco as at 31 December 2019. The products in this pipeline cover various therapeutic categories, including oncology (27 per cent.), CNS (15 per cent.), anti-infective (12 per cent.), diabetes (11 per cent.) and cardiovascular (10 per cent.), among others.

Along with its internal R&D development programme, the Group is also pursuing in-licensing, acquisition and partnership opportunities that complement and expand its pipeline. For example, in February 2020, the Group entered a licensing agreement with Glenmark to commercialise Ryaltris™, a novel fixed-dose combination nasal spray. Also in 2020 the Group announced an agreement with Arecor Ltd to co-develop a new, ready-to-use injectable medicine using Arecor's proprietary drug formulation technology platform Arestat™ and an agreement with Sun Pharmaceutical Industries Ltd. to license and distribute Ilumya™, a plaque psoriasis treatment, in the MENA region. In addition, in 2019 the Group acquired unit-dose nasal spray manufacturing equipment, as well as two pipeline nasal spray products from Insys, strengthening the Group's position as a supplier of generic nasal sprays and complimenting its manufacturing capabilities.

Commitment to quality

The Group has built its reputation on bringing high-quality medicines to customers. The Group prides itself not only on the quality of its products, but also the quality embedded in its processes, partnerships, people and way of thinking, which has been a key differentiator for the Group and remains a critical success factor for the future. In order to have continual assurance of quality compliance, all of the Group's sites are routinely audited by the Group's quality control team and third-party consultants.

The Group is committed to maintaining the highest quality standards across its manufacturing facilities. All of the Group's manufacturing facilities are approved by the local regulatory authorities in the countries where they are located. The Group operates 12 US FDA-inspected manufacturing plants in five countries (the United States, Portugal, Germany, Jordan and Saudi Arabia) and 11 EMA-inspected plants in six countries (Portugal, Germany, Italy, the United States, Jordan and Saudi Arabia). The Group believes that having US FDA and

EMA-inspected manufacturing plants enhances its reputation in the MENA region, where the perception of quality usually associated with these approvals and brand recognition are among the key success factors.

Several of the Group's manufacturing plants are subject to regular inspections by the US FDA and European regulatory authorities. In 2019, five inspections were conducted by the US FDA across its 12 US FDA-inspected plants, which resulted in zero critical observations. See *"—Manufacturing and Facilities—Regulatory and compliance"*.

The Group continuously reviews its quality systems and procedures. In 2019, the Group established a Global Quality Council, which is chaired by the CEO and has an experienced and dedicated team of ten members. The committee aims to preserve, promote and improve the quality culture across the organisation.

Strong balance sheet and cash generation

The Group has consistently generated strong cash flow, and its disciplined approach to cash management and acquisitions has enabled it to maintain a strong balance sheet with low leverage compared to its peers, giving the Group the financial flexibility to support future growth.

Strong cash generation gives the Group the financing to invest in its strategy of making healthcare more accessible by delivering more from a strong foundation, building a portfolio that anticipates future health needs and developing its employees. At the same time, a robust balance sheet enables the Group to pursue partnerships, licensing agreements and acquisitions that complement its existing business and may help drive sustainable long-term growth.

Principal Areas of Operations

The Injectables Segment

Introduction

The Group's Injectables segment develops, manufactures and sells generic injectable products. In addition, the Injectables segment in-licenses a small number of products for sale in specific markets. The Injectables segment has a broad product portfolio, which enables the Group to build a strong market position, good relationships with customers and capture market opportunities. The Injectables segment manufactures its products in liquid, lyophilised and powder forms, packaged in sterilised vials, ampoules, infusion bags and prefilled syringes. In addition, the Injectables segment has dedicated facilities for the production of cephalosporin and cytotoxic products. The Group is investing in its product pipeline to drive future growth.

The Group manufactures its injectable products in the United States, Portugal, Germany, Italy and Egypt. The Group's injectable manufacturing plants in the United States, Portugal and Germany are inspected by the US FDA. In addition, all of the Group's injectable manufacturing plants (except for the manufacturing plants located in Egypt) are inspected by European regulatory authorities. Also, the Group's European manufacturing plants have been approved by regulatory authorities in the MENA region. The Group has recently completed the construction of a new high containment facility in Portugal with tightly controlled manufacturing environments. In April 2020, the Group received US FDA approval for the first product from that facility, which can now begin to supply the US market. As at 31 December 2019, the Injectables segment had an annual manufacturing capacity of 1 billion units.

The Injectables segment accounted for 40 per cent., 40 per cent. and 41 per cent. of the Group's revenue in the years ended 31 December 2017, 2018 and 2019, respectively.

The Group's geographic markets for the Injectables segment are the United States, MENA and Europe. The Group has a very strong market position in the United States, where it was the third largest manufacturer of

injectables by volume as at 31 December 2019, according to IQVIA. The following table summarises the composition of the Injectables segment's revenue in these markets for the years indicated:

	Year ended 31 December					
	2017		2018		2019	
	(US$ millions, except %)					
United States	586	76%	601	73%	640	72%
MENA	102	13%	120	14%	146	16%
Europe and rest of world (including the UK)	88	11%	105	13%	108	12%
Total	776	100%	826	100%	894	100%

Products

The Injectables segment sells 309 products across the United States, MENA and Europe. The Injectables portfolio covers various therapeutic categories, such as anti-infectives, anaesthetic, CNS, oncology and pain management. In recent years, the Injectable segment's strategic focus has been on developing a portfolio of higher value, more differentiated products that have higher barriers to entry, and therefore fewer competitors. In the US Injectables portfolio, 29 per cent. of the products have two or fewer competitors, 29 per cent. have three to five competitors, 21 per cent. have six to eight competitors and 21 per cent. have nine or more competitors.

The Injectables segment continues to find success with its new products, as products launched over the last four years contributed 23 per cent. of US Injectables core revenue in the year ended 31 December 2019.

In the year ended 31 December 2019, the Injectables segment's top ten products by core revenue accounted for 36 per cent. of the segment's core revenue. In the year ended 31 December 2019, the Injectables segment's top ten products by core revenue in the United States accounted for 45 per cent. of the segment's core US revenue, down from 54 per cent. in 2017.

As at 31 December 2019, the Injectables segment had 63 products under development across various therapeutic categories, including oncology, central nervous system, cardiovascular, anti-infectives, metabolism and hormones. As at the same date, the Injectables segment had a total of 248 pending approvals, expected to be launched from 2020 onwards.

As at 29 February 2020, the Injectables segment's US pipeline comprised 126 products, 68 of which were still in development, 10 of which were approved or tentatively approved and 48 of which were submitted for approval to the US FDA, but approval was still pending.

Regulatory approvals

In the year ended 31 December 2019, the Injectables segment received 73 product approvals, including seven approvals in the United States, 40 in the MENA region and 26 in Europe. These include new product approvals, technical approvals and tentative approvals.

In the year ended 31 December 2019, the Injectables segment submitted 14 products for the approval by the US FDA, 78 products for approval in the MENA region, and 91 products for approval in Europe. These pending applications are at various stages in the review process and there is no assurance that approvals for any application currently under review will be granted. See also "*Risk Factors—Risks relating to the Group's Product Pipeline—Obtaining necessary government approvals is time consuming and not assured*".

In-licensed products

To complement the in-house development of generic injectable pharmaceutical products for the Injectable segment, the Group enters into licensing arrangements in respect of differentiated products. See "*—The Branded Segment—In-licensed products*".

In-licensed products are mostly patented pharmaceutical products that are produced and/or sold by the Group under licence from an originator company and marketed under the licensor's brand name. In-licensed products display the Group's trademark on their labels, as well as the licensor's brand name and identity. The Group enters into a licence either to manufacture and market a product, in which case the licensor customarily provides only the API, or to market and distribute a finished product. In the latter case, the Group purchases the finished product directly from the licensor. By entering into licensing or distribution agreements, the Group gains exclusive rights to patent-protected medicines or complex generic or biosimilar medicines which, in the Group's view, boosts its product offering and enhances the competitive position of the Group. Certain in-licensing arrangements require the transfer of advanced technologies and production capabilities of the relevant licensors to the Group's manufacturing facilities, enhancing the Group's manufacturing expertise and capabilities. Some of the Group's licensing or distribution agreements require the Group to pay a licensing fee in addition to purchasing the API from the licensor, and some of the Group's licence and distribution agreements specify minimum quantities of product to be purchased from the licensor.

The Group is increasingly seen as the partner of choice for development companies in the Injectables space, which focus on R&D without manufacturing or marketing the products. In 2019, the Injectables segment signed six new licensing agreements with partners in the United States to bring more complex products to market.

Customers, sales and distribution

United States. In the United States, the Injectables segment's primary customers are GPOs, generic distributors and wholesalers. The Injectables segment also sells directly to hospitals and, more recently, to Integrated Delivery Networks ("IDNs"), which comprise a range of services, including physicians, hospitals and pharmacies that are integrated into a single resource network for patients. In 2019, the Injectables segment had a sales force in the United States consisting of 26 sales people.

MENA. In the MENA region, the Injectables segment sells its products directly, and through agents and distributors, to end-customers, including hospitals, pharmacies in hospitals and buying groups for hospitals. The Injectables segment primarily serves its customers in the MENA region through a direct sales force which, as at 31 December 2019, consisted of 27 sales and marketing professionals.

Injectables sales in the MENA region are evenly split between sales to the private sector and government tender sales. Tender sales are predominately to the Ministry of Health or Ministry of Defence of the relevant country. The Group's customers in the MENA region typically benefit from longer credit terms compared to the customers in other geographical areas. Average credit terms for these customers vary from 180 to 360 days. The Group has extensive experience of dealing with its customers across the MENA region. The Group believes that this experience allows it to effectively manage the risks associated with extended credit terms and reduce associated costs.

Europe. In Europe, the Injectables segment's primary customers are hospitals, pharmacies in hospitals and buying groups for hospitals. In Europe, the Group generally sells its products through tenders, supported by retail sales in certain markets. The Group has dedicated sales, commercial, business development and R&D teams focused on portfolio expansion and developing new partnerships in Europe.

The Generics Segment

Introduction

The Group's Generics segment develops and manufactures oral and other non-injectable generic products, which are sold in the US retail market. These products are primarily manufactured in the United States, with some products being manufactured at the Group's US FDA-inspected plants in Jordan and Saudi Arabia.

The Generics segment accounted for 32 per cent., 33 per cent. and 33 per cent. of the Group's revenue in the years ended 31 December 2017, 2018 and 2019, respectively. All of the revenue of the Generics segment over these three years was attributable to products sold in the United States, primarily through wholesalers and distributors and directly to retail pharmacies.

Products

The Generics segment manufactures and sells a diversified portfolio of 105 products across a wide range of market segments, including nasal sprays and oncology and pain management products. In the year ended 31 December 2019, the Generics segment's top ten products by core revenue accounted for 58 per cent. of the segment's core revenue.

As at 31 December 2019, the Generics segment had 61 products under development (35 of which were still in early development stages), including nasal sprays and dry powder inhalers, with a focus on complex generic products with limited competition.

Regulatory approvals

The Generics segment is gradually developing a strong pipeline of products to drive future growth, with a focus on higher value, more differentiated products in niche market segments.

As at 31 December 2019, the Generics segment had 30 filed approvals pending with the US FDA, including naloxone nasal spray, generic Xyrem®, generic Advair Diskus® and generic Vascepa®. In March 2020, the Group received a favourable ruling from the United States District Court for the District of Nevada, which invalidated six patents as asserted by Amarin for their Vascepa® capsules. The District Court decision is currently being appealed. In May 2020, the Group received FDA approval for its generic Vascepa® (Icosapent Ethyl Capsules, 1 gm). The remainder of the pending applications are at various stages in the review process and there is no assurance that approvals for any application currently under review at the US FDA will be granted. See also *"Risk Factors—Risks relating to the Group—Obtaining government approvals is time consuming and not assured"*.

Partnership and licensing

The Generics segment is continuously working to develop its portfolio and pipeline of non-injectable generic pharmaceutical products. In addition to in-house R&D, the Generics segment seeks to enhance its portfolio and pipeline through partnerships and product acquisitions. For example, the Generics segment has partnered with Vectura, a UK pharmaceutical development company, for the development of a generic version of GSK's Advair Diskus®, and will continue to work with Vectura on a broader portfolio of respiratory products. In addition, in 2019, the Group acquired unit-dose nasal spray manufacturing equipment and two pipeline products, naloxone nasal spray and epinephrine nasal spray, from Insys Therapeutics Inc. Most recently, the Group entered into a licensing agreement with Glenmark to commercialise Ryaltris™, a novel fixed-dose combination nasal spray.

Customers, sales and distribution

All of the products of the Generics segment are sold exclusively in the United States. The Generics segment's largest customers are pharmaceutical wholesalers and distributors, in line with market practice in the United States, where, according to the Association for Accessible Medicines, in 2018 90 per cent. of all retail generics

were sold to three buying consortia. The Generics segment also sells directly to mail-order companies and to large pharmaceutical chains. The Group has strengthened the commercial capabilities of the Generics segment by building out its customer service offering and experienced sales team.

The Branded Segment

Introduction

The Group's Branded segment develops, manufactures and markets branded generic pharmaceutical products and in-licensed pharmaceutical products through licensing arrangements with a variety of pharmaceutical companies.

The Branded segment sells nearly all of its products in the MENA region using its own sales and marketing force consisting of approximately 2,000 employees responsible for sales and marketing who market directly to physicians, hospitals and pharmacies. The Group distributes its products through a mix of its own distribution companies and third parties. The Branded segment's products are sold to end-customers both by prescription and over the counter. In addition to private retail sales, the Group's Branded segment participates in tenders for government supply contracts.

The Branded segment accounted for 28 per cent., 26 per cent. and 26 per cent. of the Group's revenue in the years ended 31 December 2017, 2018 and 2019, respectively.

The Branded segment's five largest markets by revenue are Saudi Arabia, Egypt, Algeria, Jordan and Morocco.

The Branded segment has grown through a combination of organic growth and selective acquisitions, as described in *"—History"*. This has enabled the Group to establish local manufacturing, marketing and distribution capabilities across various countries in the MENA region. Today the Group has manufacturing facilities in seven markets and has a presence in 18 markets in the MENA region.

Products

The Branded segment sells branded generic and in-licensed branded pharmaceutical products such as tablets, capsules, suppositories, and dry powder for reconstitution as suspensions or liquids. In the year ended 31 December 2019, the Branded segment had a portfolio of 277 pharmaceutical products. In the year ended 31 December 2019, the Branded segment's top ten products by core revenue accounted for 42 per cent. of the segment's core revenue.

Historically, the Branded segment has focused on anti-infective products. In recent years, in response to changing patient requirements, the segment has increasingly focused on developing a portfolio of higher value products in oncology and in chronic therapeutic categories, such as cardiovascular, diabetes, respiratory and central nervous system.

As at 31 December 2019, the Branded segment had 46 products under development in its top five markets across various therapeutic categories, including oncology, cardiovascular, diabetes, central nervous system, respiratory, anti-infectives and gastrointestinal.

Regulatory approvals

The Group's product development for its Branded segment is conducted by the R&D team in Jordan and is complemented by R&D teams in other parts of the MENA region, including Algeria, Egypt, Tunisia and Saudi Arabia. This has allowed the Group to accelerate development of new products in the markets where it operates and tailor its product portfolio to meet specific customer needs.

In the year ended 31 December 2019, the Branded segment received 92 approvals across the MENA region. These figures reflect multiple approvals for the same product in different markets. During the year ended 31 December 2019, the Branded segment submitted 171 filings for approval by the respective authorities.

As at 31 December 2019, the Branded segment had 114 approvals pending in its top five markets. These pending applications are at various stages in the review process and there is no assurance that approvals for any application currently under review will be granted. See also *"Risk Factors—Risks relating to the Group's Product Pipeline—Obtaining necessary government approvals is time consuming and not assured"*.

In-licensed products

To complement the in-house development of generic pharmaceutical products for the MENA region, the Group enters into licensing arrangements in respect of patented or other differentiated products.

As at 31 December 2019, the Group had licenses or promotion and distribution agreements with a variety of pharmaceutical companies for the manufacture and/or sale of 52 pharmaceutical products. Many of these in-licensed products are in fast growing therapeutic areas such as cardiovascular, diabetes, CNS and oncology, complementing the Group's existing portfolio of generic products. For example, in 2019, the Group signed an exclusive licensing agreement with Gedeon Richter to commercialise cariprazine, a new antipsychotic drug, in certain MENA markets. The Group also signed an exclusive licensing agreement with Chiesi Farmaceutici, a research-focused international pharmaceutical group, to commercialise 11 of Chiesi's leading products in Egypt, primarily in the neonatal and respiratory therapeutic categories.

In the year ended 31 December 2019, sales of in-licensed products constituted approximately 37 per cent. of the Branded segment's revenue. See "*—The Injectables Segment—In-licensed products*" for more information on the Group's licenses.

Customers, sales and distribution

The MENA region accounted for 97 per cent. of the Branded segment's revenue in the year ended 31 December 2019. The majority of the Branded segment's revenue is generated by retail sales, with tender sales accounting for only 23 per cent. of the Branded segment's revenue in 2019. Tender sales are predominantly to the Ministry of Health or Ministry of Defence of the relevant country.

The Branded segment's largest customers in the MENA region are distributors and agents who sell the Group's products to customers such as pharmacies and hospitals. As is customary in the MENA pharmaceutical market, the Group does not have long-term agreements with any of these customers. Typically, contracts with distributors and agents are entered into for a period of one year and are subject to an automatic extension. At the same time, the Group aims to maintain long-standing relationships with some of the largest distributors and agents in the region by entering into longer term contracts with them. The Branded segment derives a small portion of its revenue from direct sales to hospitals and pharmacies. Because of the large number of customers across the MENA region, the Group believes that it is not dependent on a single customer or a group of customers for the success of its Branded segment.

The Branded segment focuses on product promotion and brand development, and its marketing efforts are targeted at building long-term, mutually beneficial relationships with doctors to enhance prescription sales of the segment's products, and with pharmacists who dispense these products. The Branded segment's representatives regularly visit both doctors and pharmacists as part of their sales and marketing efforts. In addition, the Group makes significant investments in promotional activities, including awareness programmes, medical symposiums, industry conferences and new product launches.

The Group believes that its Branded segment has one of the largest sales forces in the MENA region, consisting of approximately 2,000 employees responsible for sales and marketing as at 31 December 2019, including

medical representatives, supervisors and sales managers. This sales force is divided geographically with 541 employees in Egypt, 265 in Saudi Arabia, 260 in Algeria and 928 in the other MENA markets.

The Group's customers in the MENA region typically benefit from longer credit terms compared to the customers in other geographical areas. Average credit terms for these customers vary from 180 to 360 days. The Group has extensive experience of dealing with its customers across the MENA region. The Group believes that this experience allows it to effectively manage the risks associated with extended credit terms and reduce associated costs.

Other Businesses

In addition to its three core segments, the Group has other businesses that support its core operations. This "Others" reporting segment is primarily composed of Arab Medical Containers, a manufacturer of plastic specialised medicinal sterile containers, International Pharmaceuticals Research Centre, which conducts bio-equivalency studies, Hikma Emerging Markets and Asia Pacific FZ LLC, and the chemicals segment of Hikma Pharmaceuticals LLC (Jordan). These businesses had aggregate revenue of US$9 million, or 0.5 per cent. of the Group's revenue, in the year ended 31 December 2017, US$10 million, or 0.5 per cent. of the Group's revenue, in the year ended 31 December 2018 and US$11 million, or 0.5 per cent. of the Group's revenue, in the year ended 31 December 2019.

Group Functions

The Group's organisational structure reflects its strategy and business model by combining decentralised responsibility for sales and marketing and operations within each segment with the co-ordination of certain Group functions to maximise cost savings, increase the Group's negotiating power and streamline financial reporting. The Group's centrally co-ordinated functions include R&D (supported by local R&D centres), API sourcing and other procurement, finance, legal and information technology. The Group believes that this structure is financially and operationally efficient, facilitates the sharing of best practices and enhances relationships with customers.

Research and Development

R&D is a critical driver of the Group's future growth. In 2019, the Group concentrated all R&D activities under one global function and appointed a new Chief Scientific Officer based in the United States to lead this function. The Chief Scientific Officer is responsible for the execution of the overall pipeline, ensuring the timely launch of products globally across all markets, while each business segment maintains responsibility for its own pipeline. The R&D function is focused on the development of both generic and branded pharmaceutical products for the United States, MENA and Europe. The Group develops a range of pharmaceutical products across different therapeutic categories and is focused on developing more complex products with higher barriers to competition and that leverage the Group's strong global manufacturing capabilities. A robust product portfolio and comprehensive R&D capabilities coupled with a global operational network allows the Group to execute key product launches, further expand its product pipeline and diversify its revenue stream.

The Group devotes significant resources to R&D and expects to continue to invest in R&D activities, both for existing products and the development of new portfolio assets. As of 31 December 2019, 392 products (including tentative approvals) were pending approval with the relative regulatory body pertaining to that region. In addition, the Group has 170 products in various stages of development and internal regulatory review to be submitted to the relevant regulatory body pertaining to that region.

Current R&D capabilities include solid oral dosage forms (such as tablets and capsules), semi-solids, and liquids (such as creams, ointments and suspensions), steriles (such as vials, pre-filled syringes and IV bags) and inhalations. Additional capabilities include other delivery systems and dosage forms such as transdermal

patches, thin films, nasal delivery systems and long acting injectables. In addition, the Group has the capabilities for in-house development of selected API. See "—API Sourcing and In-house API Capabilities".

Over the years, the Group has expanded its R&D operations to other countries in MENA and the United States through M&A. For example, in 2014, the Group acquired assets of Ben Venue Laboratories, Inc., a subsidiary of Boehringer Ingelheim Corp., including its strong R&D team. Based in Bedford, Ohio, the team has significant R&D expertise and capabilities in generic injectable product development. In 2016, the Group also acquired Roxane Laboratories, Inc. and West-Ward Columbus Inc. in Columbus, Ohio from Boehringer Ingelheim Corp., which helped establish an R&D function for the Generics business and added significant R&D capabilities. As at 31 December 2019, the Group had seven R&D centres located in Bedford and Columbus, Ohio in the United States, as well as Algeria, Tunisia, Jordan, Saudi Arabia and Egypt.

While the Group is focused on building a strong pipeline by leveraging its internal R&D capabilities, the Group is also pursuing in-licensing, acquisition and partnership opportunities that will complement and expand its pipeline. For example, in 2019, the Group acquired unit-dose nasal spray manufacturing equipment, as well as two pipeline nasal spray products from Insys, strengthening the Group's position as a supplier of nasal sprays and complementing its manufacturing capabilities. Additionally, in 2019, the Group entered into an agreement with Arecor Ltd to co-develop a new, ready-to-use injectable medicine using Arecor's proprietary drug formulation technology platform Arestat™.

The R&D team's product development plan is a team effort involving inputs from sales and marketing, IP, operations and supply chain teams at the Group sites globally. Business development opportunities are also technically evaluated by the R&D team who ensure the successful execution of projects at the partner's site and/or technical transfer and scale up at the Group's various sites. The Group's product development cycle involves pre-formulation, formulation development, analytical method development/validation and stability studies. Bioequivalence studies are an integral part of any development and submission strategy and are conducted either at the Group's US FDA-inspected plant in Jordan or by other US FDA-inspected contract research organisations in Canada, the United States and India.

In conducting its R&D activities, the Group is aware of the intellectual property landscape and operates in strict observance of patent expiry dates in all territories. However, where feasible, the Group has developed technical and legal strategies that have led to earlier approval and launch of products in various markets.

The following table compares the Group's R&D expenses with its revenue for the years indicated.

	Year ended 31 December		
	2017	**2018**	**2019**
	(US$ millions, except %)		
Total R&D expenses	121	147	150
Ratio of total R&D expenses to revenue	6.3%	7.1%	6.8%

In the year ended 31 December 2019, the Group had 108 new product launches and received 169 approvals and, to ensure continuous development of its product pipeline, submitted 357 regulatory filings. The following table sets out a breakdown of the Group's product pipeline by each segment as at 31 December 2019:

	2019 submissions[1]	2019 approvals[2]	2019 launches[3]
Injectables	183	73	69
US	14	7	14
MENA	78	40	40
Europe	91	26	15
Generics	3	4	4
Branded	171	92	35
Total	357	169	108

Notes:

(1) Submissions for new products, including Marketing Authorisations, NDA, ANDA and 505(b)2 by country, as at 31 December 2019

(2) New products (approvals, technical approvals and tentative approvals) by country, approved as at 31 December 2019

(3) New products launched by country as at 31 December 2019

API Sourcing and In-house API Capabilities

While the Group uses a variety of raw materials to manufacture its products, API remain the most important component. The majority of the API used in the manufacturing of the Group's products are supplied from third parties. The global pharmaceutical business is characterised by a limited number of certain API suppliers. The Group, where possible, mitigates its API supply risk through alternate sourcing strategies or by managing its inventory level when no other API alternative exists on the market. See "*Risk Factors—Risks relating to the Group's Operations, Manufacturing and Supply Chain—A disruption in the Group's supply chain may result in the Group being unable to continue marketing or developing its products or result in it being unable to do so on commercially viable terms*".

An important part of the Group's strategy is to source high quality API from reliable sources at competitive prices. The R&D API and API commercial sourcing teams complement the individual purchasing departments of each segment, allowing the Group to follow different raw material sourcing strategies for each of its different product lines while using aggregate volumes as a basis for increasing its negotiating power with suppliers. The Group continues to build strong long-term mutually beneficial relationships with API suppliers to ensure continuity and security of supply. To the extent alternative API suppliers are available, the Group aims to have more than one API supplier in respect to key products; however, this is a lengthy process, and in some cases can take one to two years.

While the Group acquires most of its API from third party suppliers, it also has in-house API manufacturing capabilities and manufactures some strategic API for captive use and to support the development of some of its future products. When manufacturing its API, the Group acquires chemical intermediates and synthesises them to produce API. The manufacturing process involves a wide variety of raw materials which the Group obtains from sources that comply with the requirements of the regulatory authorities in the markets to which it supplies its products, including the US FDA for products sold in the United States.

The Group operates a plant in Jordan for the synthesis of chemical intermediates into API, focusing on low volume, high value API that are difficult to source from third parties. The plant, which is inspected by the US FDA, has a sterile unit for the production of sterile raw materials. As at 31 December 2019, the Group manufactured API for seven of its solid pharmaceutical products and for six of its injectable pharmaceutical

products at its manufacturing plant in Jordan and sourced the remainder from third party producers. The Group has filed 15 related Drug Master Files ("DMFs") with the US FDA and received approval to market eight finished solid products containing internally produced API. As at 31 December 2019, the Group had four new API under development. The Group also has a significant minority interest in Haosun in China, which is US FDA-inspected and develops and manufactures complex API with a focus on oncology.

When choosing whether to purchase an API or manufacture it internally, the Group considers the technology and cost required to produce the API and the availability and flexibility of other suppliers.

Finance, accounting, legal and information technology

The finance, accounting and information technology functions employ over 400 people who are responsible for strategy planning, accounting, treasury, financial reporting, preparing the Group's business plan and budget and streamlining financial and accounting functions within the Group.

The Group uses SAP, an integrated enterprise resource planning software platform, throughout its global operations. SAP is an important component in many of the Group's key business processes including budgeting, production planning, inventory management, customer services and sales.

Manufacturing and Facilities

Manufacturing

As at 31 December 2019, the Group operated 19 facilities, in which there are 31 plants, in 11 countries. The Group currently manufactures finished oral products, which include solid, semi-solid and liquid pharmaceutical products, at its facilities in the United States, Jordan, Saudi Arabia, Egypt, Sudan, Algeria, Tunisia and Morocco. The Group manufactures its injectable products at its facilities in the United States, Portugal, Germany, Italy and Egypt. Historically, the Group has expanded its manufacturing capabilities through greenfield projects and acquisitions. See "—*History*". As at 31 December 2019, the Group's global manufacturing facilities were serviced by 4,818 employees.

Solid, semi-solid and liquid pharmaceutical products

The Group manufactures solid, semi-solid and liquid generic pharmaceutical products at general formulation plants. The Group also has dedicated plants for specific product categories such as oral penicillins and cephalosporins and oral oncology.

The manufacturing of solid dosage forms includes the use of approved raw materials that are transferred to processing rooms where sizing and blending occurs. The ingredients are milled into approximately similar sizes and then blended to become uniform doses. Some products are then granulated to prevent segregation of the powder mix. Granulation involves compacting the relevant products via a wet or dry process. The powder blends are either compressed into a tablet on a tablet press or filled into a capsule on an encapsulation machine. Each batch is tested to ensure it meets the relevant physico-chemical release specifications and that no deviations from the validated manufacturing process have occurred before it is released into the market.

Injectable pharmaceutical products

The manufacturing of injectable pharmaceutical products requires the use of clean rooms, bacteria retaining filters and dry or steam heat sterilisation. Sterility assurance during manufacturing must be implemented and maintained throughout the production process. Each production line manufactures one product at a time, starting with ampoules or vials being washed and sterilised. The ampoules or vials are then filled with the product under controlled environmental conditions and subsequently sealed. Sterility of the manufactured products is ensured through tight monitoring and control of the manufacturing environment. The sealed containers undergo a full inspection to remove any cosmetic defects and ensure all containers are essentially free of visible particulate

matter before the product is released into the market. The Group is continuously investing in its facilities to improve efficiency, increase automation, maintain regulatory compliance and expand capacity.

Regulatory and compliance

All of the Group's manufacturing plants are inspected by regulatory authorities in the countries where they operate. The Group's US FDA-inspected manufacturing plants are in the United States, Saudi Arabia, Jordan, Germany and Portugal, and the Group's EMA-inspected manufacturing plants are in Portugal, Germany, Italy, Saudi Arabia, Jordan and United States. All of the Group's manufacturing plants comply with local cGMP requirements and with the US FDA and European regulatory requirements for products exported to the United States or the European Union, respectively. In addition, the Group's manufacturing operations in the United States are required to comply with Occupational Safety and Health Administration, Environmental Protection Agency and Drug Enforcement Administration (DEA) requirements.

The Group has a positive track record of compliance with the relevant regulatory requirements at each of its manufacturing plants, which are subject to regular inspections by the relevant regulatory authorities, licensing partners and contract manufacturing customers. In the past, the Group has been successful at resolving issues raised by the regulatory authorities following their inspections of the Group's plants. In 2019, the US FDA conducted five inspections at some of the Group's manufacturing plants in United States and Jordan, which resulted in zero critical observations.

The Group 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 the Group to deliver reliable goods and services to its customers on a timely basis, while maintaining its high-quality standards and monitoring regulatory compliance.

Manufacturing plants

The Group operates 19 facilities, in which there are 31 plants. The following table shows information relating to the Group's key manufacturing plants as at 31 December 2019:

Plant location	Approximate size	Capacity	Use	Own/ Lease	Approval
	(sq. m.)				
Amman, Jordan	5,250	2.4 billion tablets/capsules	General formulation	Own	US FDA Certificate, GMP Certificate, ISO 14001 Certificate, ISO 50001 Certificate, OHSAS 18001 Certificate
Amman, Jordan	2,000	400 million tablets/capsules 35 million bottles	Penicillin	Own	US FDA Certificate, GMP Certificate, EU GMP Certificate, ISO 14001 Certificate, OHSAS 18001, MHRA Certificate

Plant location	Approximate size	Capacity	Use	Own/ Lease	Approval
Amman, Jordan	1,140	sterile 125 kg non-sterile 3,000kg	Chemicals	Own	US FDA Certificate, GMP Certificate
Al-Salt, Jordan	11,000	1.2 billion tablets/capsules	General formulation	Own	GMP Certificate
Sahab, Jordan	1,000	120 million tablets/capsules	Oncology	Own	US FDA Certificate, GMP Certificate EU GMP Certificate, ISO 17025 Certificate
Riyadh, Saudi Arabia	5,145	1.2 billion tablets/capsules	General formulation	Own	GMP Certificate, EU GMP Certificate, ISO 9001 Certificate, ISO 14001 Certificate, OHSAS 18001 Certificate,
Riyadh, Saudi Arabia	1,677	320 million tablets/capsules 10 million bottles	Penicillin	Own	GMP Certificate, ISO 9001 Certificate, ISO 14001 Certificate, OHSAS 18001 Certificate, GMP Certificate
Riyadh, Saudi Arabia	1,789	430 million tablets/capsules 12 million bottles	Cephalosporin	Own	US FDA Certificate, GMP Certificate, EU GMP Certificate, ISO 9001 Certificate, ISO 14001 Certificate, OHSAS 18001 Certificate,
Algiers, Algeria	2,369	1 billion tablets/capsules	General formulation	Own	GMP Certificate
Algiers, Algeria	5,850	390 million tablets/capsules /sachets 12 million bottles	Penicillin	Own	GMP Certificate
6 October City, Egypt	5,250	1.5 billon tablets/capsules	General formulation	Own	GMP Certificate, ISO 9001 Certificate, ISO 45001 Certificate,

Plant location	Approximate size	Capacity	Use	Own/ Lease	Approval
					OHSAS 18001 Certificate
Beni Suif, Biad Alarab Industrial Zone, Egypt	1,600	270 million tablets/capsules	Cephalosporin	Own	GMP Certificate, ISO 45001 Certificate, OHSAS 18001 Certificate
Sintra, Portugal	17,460	10 million bottles 150-250 liquid vials per year/depending on size, 15-25 million of lyophilised products per year depending on size and cycle	Sterile filling of liquids, lyophilisation, IV bags, sterile filling of cephalosporin	Own	US FDA Certificate, EMA GCC and DEA (CIV)
Vienenburg, Germany	1,710	2 cytotoxic lines with 4 lyophilisers. Line 1: 2 lyos: 3.1 sqm of shelf area; 10,8 sqm of shelf area; 1.8 Million Lyo vials and 3.7 million liquid vials Line 2:2 lyos: 10.8 sqm; 3.5 million lyo vials and 4.8 million liquid vial	Cytotoxic drugs/non-cytotoxic drugs, two filling/closing lines for vials	Own	US FDA Certificate, EMA, ANVISA, and GCC
Columbus, Ohio, United States	94,000	5 billion tablets/capsules 15 million liquid bottles 100 million nasals 10 million respiratory (future)	General Formulation, Poten	General Formulation, Poten	US FDA, US DEA, EMA, ANVISA, Korea, Russia, Turkey, Uganda, Taiwan, Kenya, GCC, PMDA (Japan), Belarus
Cherry Hill, New Jersey, United States	35,024	2 million IV bags, 50 million prefilled syringes, 200 million 2ml vials, 30 million 5ml – 100ml vials	IV bags, filling for vials and prefilled syringes and handling controlled substances	Own	US FDA Certificate MHRA Certificate

Notes:

(1) Based on two (eight hours) shift and five days a week.

(2) Based on three (eight hours) shift and five days a week.

(3) Based on single (eight hours) shift and five days a week.

Sustainability considerations

The Group is subject to the environmental, health and safety laws in the countries where it operates. These regulations 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. All sites maintain data and reports in compliance with regulatory requirements, including regular environmental reports, audits and inspections.

The Group is committed to monitoring and minimising its environmental impact. The Group continues to make operations more energy efficient and is making improvements in its management of waste and water consumption. The Group prides itself on being a responsible organisation that is committed to helping people and improving the communities in which it operates. Community activities focus on improving healthcare and access, education and assistance for low-income segments and refugees.

The Group 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. See "*Risk Factors—Risks relating to Regulation, Litigation and Ethics—The Group's failure to comply with environmental, health and safety laws and regulations may expose it to litigation risk, business, interruption and/or regulatory enforcement*".

Intellectual Property

Trademarks

As at 31 December 2019, the Group had 106 trademarks, including the Hikma name, registered in Jordan. For all major products sold by Hikma in Jordan, Algeria, Egypt, Lebanon, Iraq, Sudan, Tunisia, Saudi Arabia and the Gulf States, the Group has registered its trademarks with the appropriate regulatory authorities. In addition, the Group continuously registers trademarks in respect of new products and renews the trademarks that are about to expire. The Group also uses certain trademarks under licence from third parties. As at 31 December 2019, the Group had 32 trademarks registered and pending registration in the United States, including hikma., Mitigare, Factrel and Dopram. As at 31 December 2019, the Group had 45 trademarks registered in Europe.

Patents

The Group is not materially dependent on patents, although certain individual products may be. As of 31 December 2019, the Group held five patents relating to methods of administering colchicine that are listed in the US FDA's Orange Book for the Mitigare® branded product. The Group also owns patents and patent applications on various pipeline products, upon which these products may be materially dependent. The Group files patent applications and maintains patents where doing so would be of a commercial benefit.

Licences

For description of the Group's licensing arrangements, see "*—Principal Areas of Operations—Injectables Segment—In-licensed products*" and "*—Principal Areas of Operations—Branded Segment—In-licensed products*". In the year ended 31 December 2019, sales of in-licensed products constituted approximately 14 per cent. of the Group's revenue.

Competition

The global pharmaceutical industry remains highly competitive and competition is driven by a number of factors, including 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.

In order to remain competitive, the Group must continue to develop and introduce new products in a timely and cost-effective manner. The Group aims to invest approximately 6 to 7 per cent. of Group revenue annually in R&D and is focused on developing more complex, differentiated products, which it expects will have limited competition. The Group also continues to focus on strengthening its customer relationships across its three business segments, through the reliable and timely supply of its products and its continued commitment to quality.

Injectables segment

The generic injectables market has attracted a number of new entrants in recent years. This segment benefits from high barriers to entry, as it is capital intensive and is closely regulated due to its sterile manufacturing requirements. Many of these new entrants, however, have struggled to build strong market positions, as regulatory scrutiny has increased in recent years and a number of companies have faced manufacturing challenges. The Group has a strong quality track record which has set it apart from many of its competitors, as well as a broad product portfolio with limited competition. Recognising that its product portfolio will face increased competition over time, the Group is investing in its pipeline to drive future growth and offset increased competition. The Injectables segment's competitors include Pfizer, Fresenius, Sandoz and Mylan.

Generics segment

Manufacturers in the United States generic retail market have had a challenging time over the last three years due to certain structural changes and increased competition in the market, which have driven significant price erosion. During this time, customer consolidation has reduced the number of buyers so that 90 per cent. of all retail generics are sold to three buying consortia. At the same time, the number of competitors and the pace of ANDA approvals by the US FDA has been increasing. This increased competition typically results in pricing pressures. The Group benefits from having differentiated products in its portfolio, which has helped drive growth in the past. However, these products will face increased competition and price erosion over time. To offset that, the Group needs to keep launching new products and is focused on building a pipeline of more complex products. The Generics segment's competitors include Teva, Mylan, Sandoz and Amneal.

Branded segment

In the MENA region, the Group competes in the retail market as well as the tender market, both of which are highly competitive. The Group competes with both multinational pharmaceutical companies and local generic manufacturers, including GSK, Novartis, Sanofi and Tabuk. Across MENA, many governments have introduced regulation to protect local companies and promote local manufacturing. Some regulations restrict the importation of products when there are locally manufactured substitutable products. Local manufacturers may also be given preferential treatment in government tenders or faster approval times for new products. The Group has experienced local management, operating and sales and marketing teams in the region, which has enabled it to navigate the challenging conditions of the region. In addition, the Group has invested in local manufacturing facilities in MENA markets, including US FDA-inspected plants in Jordan and Saudi Arabia.

Employees

As at 31 December 2019, the Group had approximately 8,571 full-time employees. Of these, approximately 1,900 were in the United States, 5,700 in MENA, and 1,000 in Europe and rest of the world.

The following table shows the number of the Group's average full-time employees for the year ended 31 December 2019, subdivided by departments and geographical location:

Country	Production/ Logistics[(1)]	Research & Development	Sales & Marketing	Management & General Administration	Total
United States.....	1,380	203	148	182	1,913
MENA	2,673	200	1,994	847	5,715
Europe and rest of the world...	765	48	37	101	950
Total	4,818	450	2,180	1,130	**8,578**

Note:

(1) Includes quality control and regulatory affairs.

Other than disclosed above, during the period between 31 December 2018 and 31 December 2019, neither the Group nor any of its subsidiaries have experienced any material labour relation concerns or faced material industrial action. The Group believes that it has good relations with its labour unions and its employees generally, and less than ten per cent. of the Group's employees are represented by unions.

Insurance

As part of the Group's insurance programme, the Group maintains business interruption insurance, general and product liability insurance, property all risks insurance, cyber insurance, financial crimes and cargo transport insurance covering most Group companies and operations to the extent the Group considers appropriate or otherwise required by applicable law. In addition, the Injectables and Generics segments have policies for workers' compensation. The Group also maintains directors' and officers' insurance for its directors and senior management. The Group has political violence insurance covering the MENA region, to mitigate potential risks that could arise from any political disruptions. The Group is not currently involved in any material claims under its insurance. The Group believes that the level of insurance it maintains is in line with industry practices.

Legal Proceedings

From time to time, the Group is party to routine litigation incidental to its business, including patent litigation resulting from its use of the patent challenge procedures set forth in the US Hatch Waxman Act, product liability litigation, antitrust litigation and employment litigation, none of which, individually or in aggregate, it believes would have a material adverse effect on its financial position or profitability. Other litigation, as disclosed herein, may have a material adverse effect on the Group's financial position or profitability.

The Group is currently litigating hundreds of civil claims brought by various states, political subdivisions, payor groups and private claimants against various manufacturers, distributors and retail pharmacies and others throughout the United States, including in various state and federal courts, in federal multi-district litigation, and in Canada. These claims are brought against the Group in connection with its manufacture, sale and distribution of opioids. The lawsuits assert a variety of claims, including, but not limited to, public nuisance, negligence, civil conspiracy, fraud, violations of the Racketeer Influenced and Corrupt Organizations Act or similar state laws, violations of state controlled substances acts or state false claims acts, product liability, consumer fraud, unfair or deceptive trade practices, false advertising, insurance fraud, unjust enrichment and other common law and statutory claims arising from defendants' manufacturing, distribution, marketing and alleged promotion of opioids, and seek restitution, damages, injunctive and other relief and attorneys' fees and costs. Furthermore, various government entities, including the US Congress, US Department of Justice and various state Departments of Justice, Drug Enforcement Administration, state legislatures or other policy-making bodies or investigative agencies have in the past and may in the future hold hearings, conduct

investigations and/or issue reports calling attention to the opioid crisis and the perceived role of manufacturers, including the Group, in it.

Starting in 2016, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of generic drug products, including doxycycline and digoxin, as well as several individual direct purchaser opt-out plaintiffs. These complaints, which allege that the defendants engaged in conspiracies to fix, increase, maintain and/or stabilise the prices of the generic drug products named, have been brought against various defendants, including the Group. The plaintiffs generally seek damages and injunctive relief under federal antitrust law and damages under various states laws. The Group is vigorously pursuing defence of these cases. In relation to these complaints, the Group received a subpoena from a US state attorney general and a subpoena from the US Department of Justice in 2017, and in 2018 the Group received a civil investigative demand from the US Department of Justice requesting information related to products, pricing and related communications. The Group is cooperating with all such demands.

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.

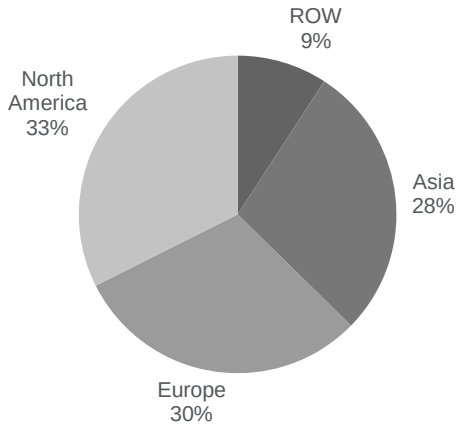
INDUSTRY

Global Pharmaceutical Industry Overview

Growth in the pharmaceutical industry is driven by a number of global trends including an aging population, the continuous launch of new treatment options and increasing spend within emerging economies. Global spending on medicines reached US$1.2 trillion in 2018, up from US$1.1 trillion in 2017, and is set to be just under US$1.3 trillion by 2019, with 4–5 per cent. growth globally. Global spending is expected to exceed US$1.5 trillion by 2023 as the market grows in mid-single digits. *(Source: IQVIA Institute - The Global Use of Medicine in 2019 and Outlook to 2023)*.

The pharmaceutical industry is dominated by listed, multi-national companies from the United States, Europe, Middle East and Japan. Most companies focus on commercialising prescription medicine, but some are also involved in consumer healthcare, animal health and medical devices. *(Source: FitchSolutions - Pharmaceuticals & Healthcare Report Q1 2020).*

The Global Pharmaceutical Market (2018)



Source: FitchSolutions - Pharmaceuticals & Healthcare Report Q1 2020

North America is the largest pharmaceutical market in the world and accounted for approximately a third of the global market in 2018. The North American market has traditionally featured a favourable pricing environment and a higher utilisation of pharmaceuticals compared to other developed and developing markets, though the high pricing environment in the United States has faced growing political and social pressure. Europe is the second largest pharmaceutical market and accounted for 30 per cent. of the global total in 2018. Asia is the third largest market and represented 28 per cent. of the worldwide pharmaceutical market in 2018. The remaining nine per cent. of global sales in 2018 were derived from the fast-developing markets of Latin America (five per cent.), MENA (three per cent.) and sub-Saharan Africa (one per cent.).

Product Segments

The pharmaceutical industry can generally be divided into three main product sectors: patent-protected prescription drugs, generic prescription drugs and OTC products. The patent-protected prescription drug sector includes small molecule products and biologics, as well as specialty drugs. The generic prescription drug sector includes small molecule products which can be broken down into simple generics and complex generics. Simple and complex generics can be further broken down into whether the products are marketed by their generic pharmaceutical name (International Non-Proprietary Name (‘‘INN’’)) or by a branded trade name. In addition,

there is the relatively new and growing category of biosimilars, which is receiving increased attention due to the forecasted savings of using this category of products.

Patent-Protected Prescription Drugs

Patent-protected prescription drugs require considerable commitment of both capital and time in order to achieve the levels of research and development required for commercial success. Companies that operate within this sector (sub-market) depend upon the legal protection afforded by strict patent protection laws to recuperate their investment and counter the losses caused by other unsuccessful pipeline drugs. Products within this market are sold using brand names and are either small molecules or biologics. Small molecule drugs are compounds manufactured through chemical synthesis, whereas biologics are based upon large, complex molecules extracted from humans, animals or microorganisms.

Specialty Drugs

Specialty drugs are complex prescription drugs and are used to treat patients with serious and often life-threatening conditions including cancer, hepatitis C, rheumatoid arthritis, HIV/AIDS, multiple sclerosis, cystic fibrosis, organ transplantation, human growth hormone deficiencies, haemophilia and other bleeding disorders. Some of these medications may be taken orally but often the dosage forms are injectable vials or have special administration needs as well as storage and delivery requirements. *(Source: National Association of Specialty Pharmacy – NASP Definitions of Specialty Pharmacy and Specialty Medications, February 24, 2016)*.

Generic Prescription Drugs

Generic prescription drugs have the same qualitative and quantitative composition of active substances and the same pharmaceutical form as their reference branded prescription drugs. They are typically sold unbranded (by their pharmaceutical substance names) at prices below those of their branded drug equivalent.

These drugs are introduced into the market once patents and regulatory exclusivity have expired on a given branded prescription drug in a given country or region and are generally required to meet equivalent governmental standards as their reference branded name drug.

Governments, in an effort to control rising healthcare costs, are increasingly encouraging the switch to generic drugs instead of the more expensive branded equivalents because they provide the same benefits at lower costs.

Unbranded Generic Prescription Drugs

Unbranded generics are marketed and sold using only the generic pharmaceutical substance name, the INN, and not by a given brand name. These are very common in markets such as the United States, as well as in European markets such as the United Kingdom.

Branded Generic Prescription Drugs

Branded generic drugs are marketed under a specific trade name which is different than the original reference brand name of the product. These are very common in many markets in Eastern Europe and the Middle East.

Complex Generics

As the market has become saturated with lower margin simple generic products, some generic manufacturers are turning their focus to complex generic drugs, which deliver more value to patients by addressing additional unmet needs and which enable them to achieve market differentiation and opportunities for higher margins. *(Source: IQVIA 2016 – Complex Generics: Charting a new path)*. The US FDA has defined a complex generic as a product with Specialty Generics complex active ingredient(s) or a complex formulation or a complex route of delivery; a complex dosage form; complex drug device combination products and other products where complexity or uncertainty concerning the approval pathway or possible alternative approaches would benefit from early scientific engagement.

Biosimilars

Biosimilars are an emerging category of biologic drugs. Biologics are derived from large, complex molecules extracted from natural sources and are therefore difficult to replicate. A biosimilar is a biological medicine highly similar to another already approved "reference" biological medicine. Biosimilars are approved according to the same standards of pharmaceutical quality, safety and efficacy that apply to all biological medicines. Biosimilars are offered at a more affordable price and are essentially the generic versions of biologics.

OTC Drugs

OTC drugs are also referred to as non-prescription medicines and can be bought by consumers without a prescription from a doctor or health care professional. These drugs have often been available in the market for a number of years and are not usually protected by patents. Instead, they are part of branded product families. This branding allows for differentiation from competitors. There are a limited number of global OTC brands, and therefore the OTC drugs market tends to be dominated by local market leaders.

Industry Dynamics & Drivers

The following global trends have historically supported the pharmaceutical sector and are likely to continue to have an impact over the medium- to long-term.

Resilient, Non-cyclical Industry

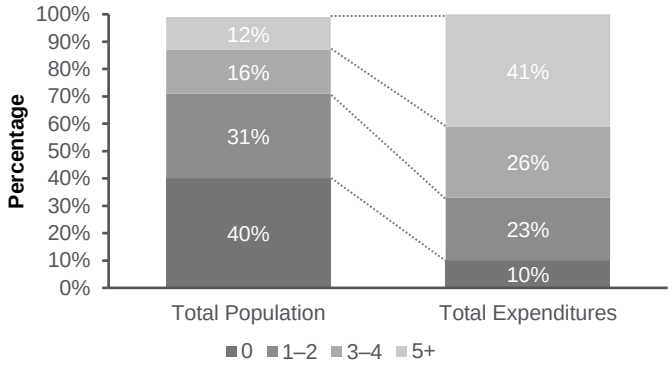
The pharmaceutical market is resilient and to a great extent non-cyclical given the relatively inelastic demand for healthcare and life saving medicines. Spending on maintenance prescriptions, specialty products and even OTC drugs is often non-discretionary and increasing given the demographic shifts outlined below. Increased awareness of disease and treatment options, innovation, product launches and a general drive to improve healthcare standards, particularly among developing and OECD countries, are also drivers of demand.

Aging Global Population with Increasing Prevalence of Chronic Disease

Older individuals have a large number of health care needs and generally consume a greater proportion of healthcare spending and pharmaceutical products than younger people. As the number of chronic conditions a patient suffers from increases, so does overall health spending. Approximately 90 per cent. of healthcare spending is attributable to people with one or more chronic conditions, and individuals with more than five chronic conditions represent only 12 per cent. of the population but receive 41 per cent. of all healthcare spending. *(Source: Pharmaceutical Research and Manufactures of America—Prescription Medicines: Costs in Context, October 2018)*.

Prevalence and Spending by Number of Chronic Conditions (2014)

RAND Corporation



According to the United Nations, the percentage of the global population above 60 years of age is expected to increase from 13.5 per cent. in 2020 to 21.4 per cent. in 2050. The proportion of the North American population above 60 years of age is projected to rise from 23.1 per cent. in 2020 to 28.5 per cent. in 2050. In Europe, this cohort is expected to increase from 25.7 per cent. in 2020 to 35.0 per cent. in 2050. In Western Asia (including the Middle East), the proportion of the population that is over 60 years of age is forecast to increase from 8.8 per cent. in 2020 to 19.3 per cent. in 2050. As the proportion of the population that is over 60 years of age increases, the demand for healthcare products is expected to continue to grow. *(Source: United Nations Department of Economic and Social Affairs—2019 Revision of World Population Prospects).*

Innovation Addressing Previously Unmet Medical Needs and Enhanced Treatment Options for Existing Patients

New medicines are expected to transform patient care. The industry is moving from chemically derived medicines that treat a broad range of diseases towards more targeted medicines and immunotherapy. Around 20 per cent. of the revenue of US biopharmaceutical companies is reinvested in R&D. This constituted around US$90 billion in 2016 according to National Science Foundation data.

Pharmaceutical Products Provide Cost Effective Healthcare Spend Alternatives

Compared to other healthcare measures such as inpatient care, outpatient care and medical technologies, pharmaceutical products represent a relatively small share of total healthcare spending. This is estimated to be approximately 14 per cent. of total US healthcare spending *(Source: Pharmaceutical Research and Manufactures of America—Prescription Medicines: Costs in Context, October 2018)* according to CMS National Health Expenditure data and 11 per cent. in the UK *(Source: OECD Health Statistics Database; Altarum Institute, 2015)* according to OECD health statistics. (Source: *PhRMA analysis of CMS National Health Expenditures data, Altarum Institute study and Berkley Research Group study).* These figures demonstrate that drugs are a cost-effective measure for disease management.

Cost-containment in Developed Markets

Healthcare is a major focus of governments around the world, with health services consuming a significant percentage of governments' budgets. There is an increasing focus, particularly in developed markets, on achieving a better return on healthcare spending. Governments are increasingly scrutinising spending and looking to third parties, including government health programmes, managed care providers, private health insurers and other organisations, to support reimbursement. This is leading to an increased focus on cost effective alternatives, including generic prescription products and preventive medicine. According to IMS Health & the Generic Pharmaceutical Association *(Source: Pharmaceutical Research and Manufactures of America—Prescription Medicines: Costs in Context, October 2018)*, 90 per cent. of dispensed medicines in the US are now generics – up from 72 per cent. in 2008 and 43 per cent. in 1996 *(Source: IMS Health. Generic Pharmaceutical Association, "Generic Drug Savings in the U.S. Report," 2018.)*. According to the IQVIA, US generics typically cost up to 90 to 98 per cent. less than the branded medicine they replace. *(Source: IQVIA Institute for Human Data Science analysis for PhRMA. May 2018.)*

Lifestyle Changes Leading to an Increase in Chronic Diseases

In both developing and developed markets, poor diets and sedentary lifestyles are leading to an increase in chronic diseases including diabetes, heart disease, high cholesterol, high blood pressure and obesity. This is increasing demand for pharmaceutical treatments and OTC products associated with disease management. According to the World Bank and IHME, within the Middle East and North Africa, the prevalence of major risk factors for stroke, heart disease and diabetes such as poor diet, hypertension and high body mass index each increased by more than 50 per cent. between 1990 and 2010, and this trend does not appear to be decreasing. (Source: *The World Bank—In Middle East and North Africa, Health Challenges are Becoming Similar to Those in Western Countries, 4 September 2013).* Over this same time period within the Middle East and North Africa,

there was an 87 per cent. increase in the prevalence of diabetes and a 44 per cent. increase in ischaemic heart disease.

Health Insurance and Increase in Disposable Income

The significant growth in disposable household income in both developed and emerging markets and the expansion of health insurance coverage is expected to drive increased access to and demand for both prescription pharmaceuticals and OTC products.

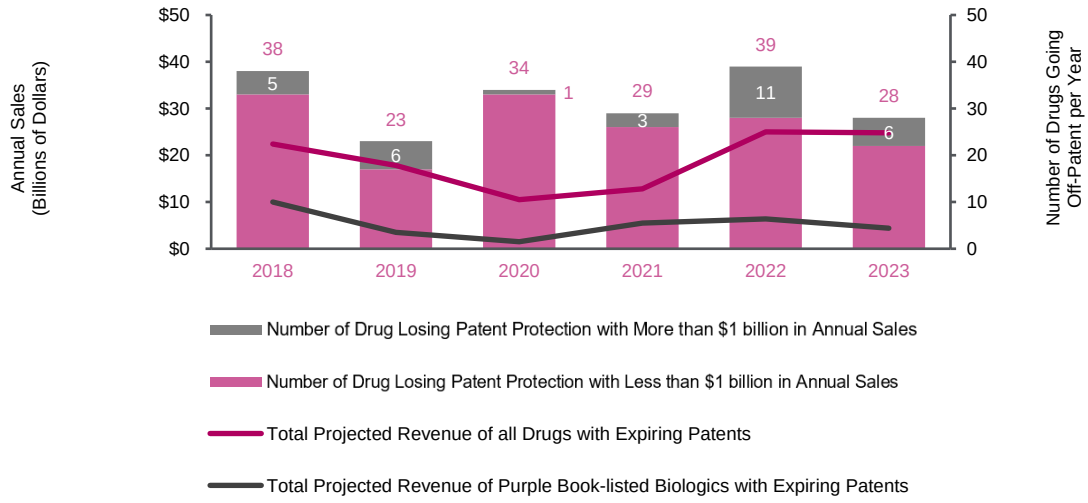
Patent Expiry of Top Selling Drugs

Global pharmaceutical companies and specialty firms are expected to face a large number of patent expirations in the coming years. As these patents expire, opportunities are created for generic pharmaceutical companies to gain approval for generic versions of previously patented products. According to IQVIA, the value of the addressable market for generics due to key brands losing exclusivity increased in the majority of major European countries between 2017 and 2019, creating further growth opportunities for the Group.

Drugs coming off patent are expected to generate a median of over US$20 billion in annual sales from 2018 to 2023 *(Source: PwC Health Research Institute—Three reasons generic drugs alone won't solve drug prices, 28 August 2019*).

PwC Health Research Institute analysis of GlobalData consensus analyst forecasts

(as of 14 February 2018)



Note:

Some biologics, including insulins and hormones, are not included in the US FDA's Lists of Licensed Biological Products. Revenue data reflect the projected sales for the year in which a drug is expected to lose patent protection.

Increasing Role of Emerging Markets

According to IQVIA, emerging markets are expected to generate an increasing proportion of global pharmaceutical sales. The pharmaceutical market in the Middle East and Africa grew at a compound annual growth rate of 8 per cent. from 2014 to 2018, when it reached US$25 billion. Saudi Arabia, the largest market in MENA, grew 7 per cent. in value from 2017 to 2018, while Egypt, Algeria and the UAE – the next three largest markets – experienced double-digit growth in the same period. In Saudi Arabia, three of the top ten companies are the local or regional companies Tabuk, Spimaco and Hikma.

The popularity of branded generic products in emerging markets is expected to continue, and increased life expectancy and disposable income are expected to continue to be key drivers of market growth. Other expected trends include:

- Rising share of generics and biosimilars, with the latter replacing biologics already on the market;
- Maturing regulatory environment with increasing importance placed on adherence to clinical guidelines and monitoring of spending on pharmaceuticals;
- Expansion of healthcare coverage – through mandatory insurance, innovative funding solutions or private / public partnerships;
- Increasing patient demand driven by education and patient support programmes;
- Growing access to healthcare through telemedicine, artificial intelligence and e-health initiatives; and
- Increased encouragement of 'out of pocket' spending by consumers and a focus on encouraging preventative healthcare spending.

Industry Structure

The global pharmaceutical industry can be broadly grouped into five categories, each addressing different market segments:

Integrated, Global Pharmaceutical Companies

These are typically vertically-integrated global pharmaceutical companies that are involved in all aspects of the pharmaceutical value chain. This runs from compound discovery, pre-clinical research, clinical development and the sale and marketing of the final product. High failure rates, regulatory hurdles and significant spending associated with discovering and developing a compound and bringing it to successful commercial launch leads most global pharmaceutical companies to focus their efforts on a selection of drugs or treatment areas. Many integrated global pharmaceutical companies will have additional off-patent branded products (usually legacy products to which they formerly held exclusive rights) and OTC or animal health divisions.

Specialty Pharmaceutical Companies

These are typically small- to medium-sized companies with a strategic focus on a specific therapeutic area, target group or geography. Those with a focus on a specific geography primarily market and distribute drugs within a selected region where they have developed a strong sales force and network. These companies often have product portfolios encompassing many therapeutic areas, strong national/regional distribution networks and robust customer relationships. Compared to integrated global companies, specialty pharmaceutical companies tend to be less reliant on a single product ('blockbuster') and focus on a larger number of small and medium value drugs. Specialty drug-focused therapeutic pharmaceutical companies focus on a specific therapeutic area and operate across the value chain. These companies tend to operate across regions but within their particular niche and will develop sales expertise in that area.

Biotechnology Companies

Biotechnology companies focus on new drug discoveries based on biological processes and are generally engaged in the earlier stages of the value chain. These companies rely on their research and technological expertise, and only the very largest and most established companies have developed sales and marketing know-how. Biotechnology companies often seek to develop and/or commercialise their products through partnerships and alliances with larger pharmaceutical companies that contribute their established sales and marketing expertise, and increasingly funds to aid development. Biotechnology companies are growing in importance as they are increasingly at the centre of innovation.

Generic Pharmaceutical Companies

Generic pharmaceutical companies focus on the manufacture and sale of pharmaceutical products which no longer have patent protection. These companies do not typically engage in the research and development of new products. For example, they seek to extend their portfolio through ANDAs of soon to be off-patent products. They often focus on being one of the first on the market with their product, as well as economies of scale that are reached through low-cost and high-volume production. This is less applicable to sterile injectables and complex generics where barriers to entry and production are higher.

OTC Companies

OTC companies focus on the development, manufacturing and marketing of products that meet health needs without the need for medical prescriptions. These products face less government regulation and are typically paid for out-of-pocket by consumers. The market is centred on establishing trusted consumer brands and there is a strong correlation between brand value and profitability. Traditionally, consumer healthcare assets have been owned by integrated, global pharmaceutical firms, though there has been a trend towards increasingly stand-alone operations in recent years. Store brands, which are normally cheaper than brand-name counterparts, are a growing part of the OTC market.

REGULATION

Overview

The Group's activities span the four stages of the pharmaceutical value chain: (i) R&D; (ii) drug registration and licensing; (iii) manufacturing and (iv) commercialisation. Each of these stages is subject to a rigorous regulatory framework on a local and international level that conditions and affects the Group's activities. The process of obtaining regulatory approvals and the subsequent compliance with appropriate statutes and regulations require the expenditure of substantial time and financial resources. The following is a summary of the regulatory landscape applicable to the Group's business and reimbursement schemes applicable to the Group's products.

MENA region

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. The GCC has created a centralised commission for the registration of pharmaceutical products in the region. This system simplifies approval of pharmaceutical products in GCC member states once one state approves and registers a pharmaceutical product. Before giving approval to any product, it is normal for relevant authorities—e.g., the Jordan Food and Drug Administration ("JFDA") and Saudi Food and Drug Authority ("SFDA")—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 established or developed regulatory system, such as the United States, Japan or most European Union countries. The registration process, from the date of filing a complete application to obtaining approval, takes approximately 30 to 36 months for imported drugs in Algeria (locally manufactured drugs: three to six months), 18 to 30 months in Saudi Arabia, 24 to 48 months in Egypt and 18 to 24 months in Jordan.

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.

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 in the United States and Europe where the pricing and approval process is different for 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 a number of countries in the MENA region, pharmacists can substitute specific branded pharmaceutical products with equivalent products, branded or otherwise. In Algeria 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 (known as psychoactive drugs), which require written approval from the prescribing physician.

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

Intellectual property

There is an increasing trend for originator companies to file different types of patents in MENA and push for their grant, sometimes without examination, to extend the lifecycle of their monopoly. The applications are filed to cover several aspects of the product, including formulation, process and specific salt forms of the active pharmaceutical ingredient. This practice is sometimes called "evergreening" and it is common practice in many countries of the world. The legal infrastructure for patent review or challenge is not well developed in MENA and the jurisprudence is thus not well established. This can lead to delays in introduction of branded generics as it does not encourage challenge of patents, even when those patents have long been invalidated by the US or European relevant courts or patent offices.

Pricing and reimbursement

Government-funded healthcare programmes 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. A significant proportion of the population in many countries in MENA do not have private healthcare programmes.

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 countries in MENA. For example, in Jordan and Saudi Arabia the government will sometimes subsidise 100 per cent. of the cost, whereas in Algeria the government has a reference reimbursement price for each molecule where the patient must pay the difference if she/he wants to have a product that is priced higher than that of the reference price.

The pricing environment is becoming increasingly challenging as health authorities across the MENA region introduce strict reference pricing models and consider clinical value and pharmacoeconomic factors in making pricing decisions. In addition, a price harmonisation initiative is being implemented by the GCC states, whereby the government ministries, which purchase the large majority of pharmaceutical products in the region, share pricing information with each other to obtain the lowest prices possible.

United States

In the United States, federal, state and local government authorities extensively regulate, among other things, the manufacturing, research and clinical development, marketing, labelling and packaging, storage, distribution, post-approval monitoring and reporting, advertising and promotion, pricing, and export and import of drugs and medical devices. The process of obtaining regulatory approvals and the subsequent compliance with applicable federal, state, and local laws and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable regulatory requirements at any time during the product-development process, approval process or after approval may result in, among other things, warning or untitled letters, clinical holds, civil or criminal penalties, the recall or seizure of products, injunction, disbarment, partial or total suspension of production or withdrawal of the product from the market.

Food and Drug Administration and the Drug Enforcement Administration

All pharmaceutical manufacturers selling products in the United States are subject to extensive regulation by the US federal government, principally by the US FDA, the Drug Enforcement Administration and, to a lesser extent, by state and local governments. The Federal Food, Drug, and Cosmetic Act (the "FDC Act"), the

Controlled Substances Act and other federal statutes and regulations as well as various state statutes and regulations govern or influence to varying degrees the development, manufacture, testing, approval, production, labelling, distribution, post-market surveillance, advertising, dissemination of information and promotion and sale of pharmaceutical products in the United States.

In particular, the US FDA has extensive enforcement powers over the activities of pharmaceutical companies. The US FDA mandates that drugs be manufactured, packaged and labelled in conformity with cGMP established by the US FDA. In complying with cGMP regulations, manufacturers must continue to expend time, money and effort in production, recordkeeping and quality control to ensure that products meet applicable specifications and other requirements to ensure product safety and efficacy. The US FDA periodically inspects drug manufacturing facilities to ensure compliance with applicable cGMP requirements. The federal government also has extensive enforcement powers over the activities of pharmaceutical manufacturers, including authority to withdraw product approvals, commence actions to seize and prohibit the sale of unapproved or non-complying products, to halt manufacturing operations that are not in compliance with cGMPs, and to impose or seek injunctions, voluntary recalls, civil monetary and criminal penalties.

In addition, certain of the Group's activities in the United States are subject to the jurisdiction of various other federal regulatory and enforcement departments and agencies, such as the Department of Health and Human Services, the Federal Trade Commission (which also has the authority to regulate the advertising of consumer health care products including over-the-counter drugs and dietary supplements) and the Department of Justice.

The distribution of pharmaceutical products is subject to the Prescription Drug Marketing Act (the "PDMA"), as part of the FDC Act, which regulates such activities at both the federal and state level. Under the PDMA and its implementing regulations, states are permitted to require registration of manufacturers and distributors who provide pharmaceuticals even if such manufacturers or distributors have no place of business within the state. States are also permitted to adopt regulations limiting the distribution of product samples to licensed practitioners. The PDMA also imposes extensive licensing, personnel recordkeeping, packaging, quantity, labelling, product handling and facility storage and security requirements intended to prevent the sale of pharmaceutical product samples or other product diversions.

The US FDA Amendments Act of 2007 imposed additional obligations on pharmaceutical companies and delegated more enforcement authority to the US FDA in the area of drug safety. Key elements of this legislation give the US FDA authority to (i) require that companies conduct post-marketing safety studies of drugs, (ii) impose certain drug labelling changes relating to safety, (iii) mandate risk mitigation measures such as the education of healthcare providers and the restricted distribution of medicines, (iv) require companies to publicly disclose data from clinical trials and (v) pre-review television advertisements.

The marketing practices of all US pharmaceutical manufacturers are subject to federal and state healthcare laws that are used to protect the integrity of government healthcare programmes. The Office of Inspector General of the US Department of Health and Human Services ("OIG") enforces compliance with applicable federal laws, in connection with payment for products by government funded programmes (primarily Medicaid and Medicare). These laws include, but are not limited to, the federal Anti-Kickback Statute, which criminalises the offering of something of value to induce the recommendation, order or purchase of products or services reimbursed under a government healthcare programme. The OIG has issued guidance to segments of the healthcare industry, including the 2003 Compliance Program Guidance for Pharmaceutical Manufacturers, which includes statements that support certain aspects of the Pharmaceutical Research and Manufacturers of America Code, a voluntary industry code of marketing practices. Failure to comply with federal or state healthcare laws could result in administrative and legal proceedings, including actions by federal and state government agencies. Such actions could result in the imposition of civil and criminal sanctions, which may include fines, penalties and injunctive remedies.

US FDA approval is required before any "new drug" (including generic versions of previously approved drugs) may be marketed, including new strengths, dosage forms and formulations of previously approved drugs. New Drug Applications (or Abbreviated New Drug Applications, ANDAs, for generics) for US FDA approval must contain information relating to bioequivalence (for generics), safety, toxicity and efficacy (for new drugs), product formulation, raw material suppliers, stability, manufacturing processes, packaging, labelling and quality control. US FDA procedures generally require that commercial manufacturing equipment be used to produce test batches for US FDA approval. The US FDA also requires validation of manufacturing processes before a company may market new products. The US FDA conducts pre-approval and post approval reviews and plant inspections to implement these requirements. Generally, with certain exceptions, the generic drug development and the ANDA review process can take three to five years.

The Hatch-Waxman Act established the procedures for obtaining US FDA approval for generic forms of brand-name drugs. This Act also provides market exclusivity provisions that can delay the submission and/or the approval of ANDAs. One such provision allows a five-year market exclusivity period for NDAs involving new chemical entities and a three-year market exclusivity period for NDAs (including different dosage forms) containing new clinical trial data essential to the approval of the application. The Orphan Drug Act of 1983 grants seven years of exclusive marketing rights to a drug for a specific orphan indication. Market exclusivity provisions are distinct from patent protections and apply equally to patented and non-patented drug products. Another provision of the Hatch-Waxman Act extends certain patents for up to five years as compensation for the reduction of effective life of the patent which resulted from time spent in clinical trials and time spent by the US FDA reviewing a drug application.

Under the Hatch-Waxman Act, a generic applicant must make certain certifications with respect to the patent status of the drug for which it is seeking approval. In the event that such applicant plans to challenge the validity or enforceability of an existing listed patent or asserts that the proposed product does not infringe an existing listed patent, it files a Paragraph IV certification. As originally enacted, the Hatch-Waxman Act provides for a potential 180-day period of generic exclusivity for the first company to submit an ANDA with a Paragraph IV certification and receive approval. This filing triggers a regulatory process in which the US FDA is required to delay the final approval of subsequently filed ANDAs containing Paragraph IV certifications 180 days after the first commercial marketing of the drug by the first approved applicant. Submission of an ANDA with a Paragraph IV certification can result in protracted and expensive patent litigation. When this occurs, the US FDA generally may not approve the ANDA until the earlier of thirty months or a court decision finding the patent invalid, not infringed or unenforceable.

The Medicare Prescription Drug, Improvement and Modernisation Act, or the Medicare Modernisation Act, of 2003 modified certain provisions of the Hatch-Waxman Act. Under the Medicare Modernisation Act, final ANDA approval for a product subject to Paragraph IV patent litigation may be obtained upon the earlier of a favourable district court decision or 30 months from notification to the patent holder of the Paragraph IV filing, as was the case previously. However, 180 day exclusivity rights for first generic applicants may be forfeited pursuant to the Medicare Modernisation Act if the product is not marketed within 75 days of the final approval or if tentative approval is not received within 30 months of submission and under other specified circumstances. With the growing backlog of applications, and the resulting increase in the median time to approval of ANDAs, the number of forfeitures of exclusivity is likely to increase unless additional resources are provided within the US FDA's Office of Generic Drugs.

The Best Pharmaceuticals for Children Act, signed into law in 2002 and re-authorised in 2007 under the Food and Drug Administration Amendments Act, continues the so-called "paediatric exclusivity" programme begun in the US FDA Modernisation Act of 1997. This paediatric exclusivity programme provides a six-month extension both to listed patents and to regulatory exclusivities for all formulations of an active ingredient, if the

sponsor performs and submits adequate paediatric studies on any one single dosage form. The effect of this programme has been to delay the launch of numerous generic products by an additional six months.

The Generic Drug Enforcement Act of 1992 established penalties for wrongdoing in connection with the development or submission of an ANDA by authorising the US FDA to permanently or temporarily debar such companies or individuals from submitting or assisting in the submission of an ANDA, and to temporarily deny approval and suspend applications to market generic drugs. The US FDA may suspend the distribution of all drugs approved or developed in connection with wrongful conduct and also has authority to withdraw approval of an ANDA under certain circumstances. The US FDA may also significantly delay the approval of a pending NDA or ANDA under its "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities Policy". Manufacturers of generic drugs must also comply with the US FDA's cGMP standards or risk sanctions such as the suspension of manufacturing or the seizure of drug products and the US FDA's refusal to approve additional ANDAs.

Government Reimbursement Programmes

The Medicare Modernisation Act further expanded the scope of Medicare coverage for participants by creating what is known as the Medicare Part D prescription drug benefit. The Part D prescription drug benefit became available to Medicare beneficiaries on 1 January 2006. Medicare prescription drug coverage under Part D is insurance that covers the Medicare beneficiary's cost (subject to certain statutory purchasing thresholds, co-payments, insurance premiums, and deductibles) of prescription drugs at participating pharmacies. Medicare prescription drug coverage under the Part D benefit is available to all Medicare beneficiaries regardless of income and resources or health status. The structure of reimbursement under Medicare Part D includes a gap or "doughnut hole" in coverage, after the initial coverage limit is reached and before the catastrophic coverage benefit begins.

The Centres for Medicare & Medicaid Services ("CMS") are responsible for enforcing legal requirements governing the Medicaid rebate agreements between the federal government and pharmaceutical manufacturers. Drug manufacturers' agreements with CMS provide that the drug manufacturer will remit to each state Medicaid agency, on a quarterly basis, the following rebates: for generic drugs marketed under ANDAs covered by a state Medicaid programme, manufacturers are required to rebate 13 per cent. of the average manufacturer price ("AMP") (net of cash discounts and certain other reductions); for products marketed under NDAs, manufacturers are required to rebate the greater of 23.1 per cent. of AMP (net of cash discounts and certain other reductions) or the difference between such AMP and the best price (net of cash discounts and certain other reductions) plus a penalty rebate equal to any increase in AMP above the inflation rate, whichever is higher, during a specified period. Federal and/or state governments have enacted and are expected to continue to enact measures, such as the Medicare Modernisation Act, enacted in December 2003, which expanded the scope of Medicare coverage for drugs beginning in January 2006, or the Patient Protection and Affordable Care Act, parts of which became effective in March 2010. These measures are aimed at reducing the costs to government third party insurers, such as Medicare and Medicaid, which dispense drugs to the public.

In the United States, the Deficit Reduction Act of 2005 mandated a new regulation, which became effective in part on 1 October 2007, establishing the method by which pharmaceutical manufacturers, including the Group, must calculate the AMP. The Deficit Reduction Act strongly encouraged state Medicaid programmes to utilise this AMP in the future as the benchmark for prescription drug reimbursement in place of the previous, widely used benchmark of average wholesale price. The Deficit Reduction Act also changed the method used to determine the federal upper limit ("FUL") for payment for generic drugs. Payments to pharmacies for Medicaid-covered outpatient prescription drugs are set by the states. Federal reimbursements to states for the federal share of those payments are subject to this federal ceiling. Effective 1 October 2010, the Patient Protection and Affordable Care Act revised the Social Security Act to require that the Department of Health and Human

Services calculate FULs as no less than 175 per cent. of the weighted average (determined on the basis of manufacturer utilisation) of the most recently reported monthly AMPs.

Various state Medicaid programmes have in recent years adopted supplemental drug rebate programs that are intended to provide the individual states with additional manufacturer rebates. These supplemental rebate programmes are generally designed to mimic the federal drug rebate programme in terms of how the manufacturer rebates are calculated, e.g., as a percentage of AMP.

The United States enacted major health care reform legislation, the Patient Protection and Affordable Care Act, in 2010. Various insurance market reforms advanced in 2011 and were fully implemented in 2014. The new law purports to expand access to health care to more than 32 million Americans who did not previously have regular access to health care by the end of the decade. With respect to the effect of the law on the pharmaceutical industry, the law increased the mandated Medicaid rebate for branded drugs from 15.1 per cent. to 23.1 per cent., expanded the rebate to Medicaid managed care utilisation, and increased the types of entities eligible for the federal 340B drug discount programme. The law also requires pharmaceutical manufacturers to pay 50 per cent. of the costs of the branded drug medications of Medicare Part D beneficiaries when they are in the Medicare Part D coverage gap (i.e., the so-called "doughnut hole"). Also, pharmaceutical manufacturers are now required to pay an annual health care reform fee for branded drugs. The fee is assessed on each company in proportion to its share of sales to certain government programmes, such as Medicare and Medicaid.

In addition, in the effort to contain the US federal deficit, the pharmaceutical industry could be considered a potential source of savings via legislative proposals that have been debated but not enacted in prior years. These types of revenue generating or cost saving proposals include direct price controls in Medicare Part D. In addition, Congress may again consider proposals to allow, under certain conditions, the importation of medicines from other countries. It remains very uncertain as to what proposals, if any, may be included as part of future federal budget deficit reduction proposals that would directly or indirectly affect the pharmaceutical industry.

European Union

The EU pharmaceutical industry regulations require that medicinal products, including generic versions of previously approved products and new strengths, dosage forms and formulations of previously approved products, must receive a marketing authorisation before they can be placed on the market in the EU. There are three main procedures for application for authorisation to market pharmaceutical products in the EU Member States: the Centralised Procedure, the Mutual Recognition Procedure, and the Decentralised Procedure. It is also possible to obtain a pure national authorisation for products intended for commercialisation in a single EU member state only.

Under the Centralised Procedure, applications are made to the European Medicines Agency ("EMA") for an authorisation which would be granted in the form of a binding European Commission decision, which is valid throughout the European Union. The Centralised Procedure is mandatory for all biotechnology products and for new chemical entities in cancer, neurodegenerative disorders, diabetes and AIDS, autoimmune diseases or other immune dysfunctions, viral diseases, for orphan medicinal products and advanced-therapy medicines, such as gene therapy, somatic cell-therapy or tissue-engineered medicines as set out in Annex to Regulation ("EC") 726/2004, and it is optional for other new chemical entities for indications other than those stated above or innovative medicinal products or in the interest of public health. When a pharmaceutical company has gathered data which it believes sufficiently demonstrates a drug's quality, safety and efficacy, then the company may submit an application to the EMA. The EMA then receives and validates the application. This is followed by appointment of a Rapporteur and Co-Rapporteur by the Committee for Medicinal Products for Human Use ("CHMP"), to lead review of the dossier. The entire review cycle must be completed within 210 days. However, there is usually a "clock stop" at day 120, to allow the company to respond to questions. When the company's

complete response is received by the EMA, the clock restarts on day 121. If there are further aspects of the dossier requiring clarification, the EMA will then organise an Oral Explanation on or before day 180, in which case there is a second "clock-stop" and the applicant is invited to appear before the CHMP to provide an oral explanation on any outstanding questions. The clock restarts at day 181 when the applicant provides this oral explanation. On day 210, the CHMP will then adopt its final opinion to recommend the approval or non-approval of the application. The final decision for grant of a marketing authorisation under this Centralised Procedure is a European Commission decision which is binding in its entirety on all EU member states and on the applicant. The decision is adopted through the Standing Committee. This decision occurs on average 60 days after a positive CHMP opinion. In the case of a negative opinion, a written request for re-examination of the opinion can be made by the applicant within a time limit of 15 days from the date of the opinion. The detailed grounds for re-examination must be submitted to the EMA within 60 days from the date of the opinion.

Under the Mutual Recognition Procedure, a company first obtains a national marketing authorisation from a single EU member state, called the Reference Member State ("RMS"), which will act for the marketing authorisation holder to progressively gain national approval in the other EU member states on the basis of the RMS's assessment. The RMS has 90 days after the procedure is initiated by the applicant to provide an assessment report and accompanying documentation to other EU member states where the applicant wishes to obtain marketing authorisations, referred to as Concerned Member States ("CMSs"). Following validation of this report and documentation, both RMSs and CMSs have 60 days to notify the applicant of their position on the application. If there are no outstanding comments at day 60, the procedure is closed, but if CMSs have remaining comments, the period will be extended by 30 days for continued dialogue between the applicant, the RMS and the CMSs. If a consensus is not reached within this 90-day period on grounds relating to a serious risk to public health, then the matter is referred firstly to the Coordination Group on Mutual Recognition and Decentralised procedure ("CMDh") and then to the CHMP for arbitration.

In the Decentralised Procedure, the application is done simultaneously in selected or all EU member states if a medicinal product has not yet been authorised in any EU member state. Under the Decentralised Procedure agreed by the European Commission and heads of the relevant EU national authorities, the RMS drafts a Preliminary Assessment Report within 70 days, which will be sent to the CMSs for comments by day 100. At day 105, if no consensus reached on approval, then there is a "clock stop" for a period of generally 90 days. The clock is restarted at day 106 after the applicant's responses are received by the RMS and CMSs. Between day 106 and day 120, the RMS will update the preliminary assessment report for consideration by CMSs. If consensus is reached at day 120, then the procedure is closed. This will then proceed to the 30 days national procedure for implementing the decision if the product is considered approvable. Otherwise, the procedure will continue until day 210 or consensus is reached. If consensus is not reached at day 210, the matter is referred to CMDh and eventually to the CHMP for arbitration.

In order to be granted a marketing authorisation, the applicant is required to have established a pharmacovigilance system, which describes the processes for collecting, assessing and reporting safety information relevant to benefit/risk assessment of the product, and nominates a European Qualified Person for Pharmacovigilance, who is responsible for overseeing and ensure the compliance of the system. After the Marketing Authorisations have been granted, the company must submit periodic safety reports to the EMA (if approval was granted under the Centralised Procedure) or to the National Health Authorities (if approval was granted under the DCP or the MRP). In addition, the marketing authorisation holder must continuously monitor the benefit/risk balance for the product and implement and monitor procedures for the performance of Adverse Event collection, evaluation and expedited reporting, updating of Risk Management Plans and other pharmacovigilance measures.

European Marketing Authorisations have an initial duration of five years. After this time, the Marketing Authorisation is subject to renewal by the competent authority on the basis of re-evaluation of the risk/benefit

balance. Once renewed the Marketing Authorisation is valid for an unlimited period. Any Marketing Authorisation which is not followed within three years of its granting by the actual placing on the market in any EU member state of at least one strength or presentation of the corresponding medicinal product ceases to be valid.

DESCRIPTION OF THE ISSUER AND THE GUARANTORS

The Issuer

General

The Issuer was incorporated in the United States on 23 January 2020, with registered number 7787498, as a limited liability company under the Delaware Limited Liability Company Act (6 Del. C § 18-101 *et seq.*). The registered office of the Issuer is c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, Delaware 19801, and its telephone number is +1-302-658-7581. The Issuer is an indirect, wholly owned subsidiary of Hikma Pharmaceuticals PLC. The principal business of the Issuer is to (i) purchase, sell and transfer property as well as tangible and intangible assets; (ii) lend, borrow, guarantee and act as guarantor for affiliated and related companies as well as third parties; and (iii) issue and hold securities. For information on the Group's activities, see "*Business*".

Guarantors

General

The business address of each Guarantor's directors is the relevant Guarantor's registered office as set out below. As at the date of this Offering Circular, no Guarantor is aware of any potential conflicts of interest between the duties their directors owe, on the one hand, and their private interests or the duties owed by any of them to any other person, on the other.

Al Jazeerah Pharmaceutical Industries Ltd

Legal and commercial name	Al Jazeerah Pharmaceutical Industries Ltd	
Registration number	1010124373	
Date and place of incorporation	26/11/1414H (7 May 1994), Riyadh, Saudi Arabia	
Duration of existence	50 years	
Place of domicile	Saudi Arabia	
Legal form	Limited Liability Company	
Registered office	Riyadh Gallery Olaya Street P.O. Box 106229 Riyadh-11666 Saudi Arabia	
Telephone number	+966-11-207-8171	
Principal place of business	Riyadh, Saudi Arabia	
Directors	*Name*	*Relevant other activities*
	Mr. Mazen Darwazah	Executive Vice Chairman of the Group, President and Chief Executive Officer of MENA
	Mr. Ishaq Al-Hajiri	Consultant

	Mr. Tareq Darwazah	Vice President of the Central Hospital Unit – MENA Region
Statutory auditors	PricewaterhouseCoopers	
Principal activities	Al Jazeerah Pharmaceutical Industries Ltd is a pharmaceutical company that engages in the manufacturing of pharmaceutical products in The Kingdom of Saudi Arabia and internationally.	

Arab Pharmaceutical Manufacturing PSC

Legal and commercial name	Arab Pharmaceutical Manufacturing PSC	
Registration number	646	
Date and place of incorporation	23 June 2009, Jordan	
Duration of existence	Indefinite	
Legal form	Private shareholding company	
Registered office	Al Buhaira – Salt, P.O. Box 42, Amman, Jordan	
Telephone number	+962-6-5802200	
Principal place of business	Al Buhaira – Salt, P.O. Box 42, Amman, Jordan	
Directors	*Name*	*Relevant other activities*
	Mr. Mazen Darwazah	Executive Vice Chairman of the Group, President and Chief Executive Officer of MENA
	Mr. Khalid Nabilsi	Chief Financial Officer of the Group
	Dr. Salah Mawajdah	Government Affairs Advisor, MENA
	Mr. Tareq Darwazah	Vice President of the Central Hospital Unit – MENA Region
	Mr. Yahia Juma Alqawasmeh	Financial Advisor
Statutory auditors	PricewaterhouseCoopers Jordan WLL	
Principal activities	Arab Pharmaceutical Manufacturing PSC is a pharmaceuticals and healthcare company operating two production facilities. In addition, it may purchase, own, sell, lease, and mortgage	

	movable and immovable assets to implement the objectives of the company; produce, manufacture and prepare human drugs; obtain the necessary rights, licences and privileges to implement the objectives of the company; to issue guarantees and securities as a guarantee for its loans and obligations; guarantee the obligations of third parties and/or obligations of affiliated companies, and to mortgage its movable and immovable assets as a security for such obligation and/or loans in a manner that achieves the company's interests and objectives.

Eurohealth (U.S.A.), Inc.

Legal and commercial name	Eurohealth (U.S.A.), Inc.	
Registration number	2264777	
Date and place of incorporation	4 June 1991, Delaware, United States	
Duration of existence	Indefinite	
Legal form	Corporation	
Registered office	1209 Orange Street Wilmington, New Castle County Delaware United States	
Telephone number	+1-732-542-1191	
Principal place of business	246 Industrial Way West Eatontown, New Jersey 07724 United States	
Directors	*Name*	*Relevant other activities*
	Mr. Hussein Arkhagha	General Counsel of the Group
	Mr. Said Darwazah	Executive Chairman of the Group
	Mr. Ali Al-Husry	Founder and former CEO of The Capital Bank of Jordan; member of the Group's Board of Directors.
Statutory auditors	PricewaterhouseCoopers LLP	
Principal activities	Acts as a holding company for the Group's US operations. The corporation may engage in any lawful act or activity for which corporations may be organised under the General Corporation Law of the State of Delaware.	

Hikma Farmacêutica (Portugal) S.A.

Legal and commercial name	Hikma Farmacêutica (Portugal) S.A.	
Registration number	502 266 791	
Date and place of incorporation	5 January 1990, Portugal	
Duration of existence	Indefinite	
Legal form	Private limited liability company limited by shares	
Registered office	Estrada do Rio da Mó, 8, 8-A e 8-B, Fervença, 2705-906 Terrugem SNT Portugal	
Telephone number	+ 351-21-960-84-10	
Directors	*Name*	*Relevant other activities*
	Mr. Mazen Darwazah	Executive Vice Chairman of the Group, President and Chief Executive Officer of MENA
	Mr. Said Darwazah	Executive Chairman of the Group
	Mr. Ali Al-Husry	Founder and former CEO of The Capital Bank of Jordan; member of the Group's Board of Directors
	Ms. Majda Mishlawi (also known as Labadi)	Corporate Vice President for Human Resources and MENA region operations
	Mr. Hussein Arkhagha	General Counsel of the Group
	Mr. Peter Speirs	Company Secretary of the Group
Statutory auditors	PricewaterhouseCoopers (Sole Statutory Audit Firm) (Effective)	
Principal activities	Hikma Farmacêutica (Portugal) S.A. is an injectables pharmaceuticals manufacturer operating in Portugal. In addition, it may engage in trade and industry of pharmaceutical products and other related activities, corresponding to the company's business scope.	

Hikma Injectables USA Inc.

Legal and commercial name	Hikma Injectables USA Inc.
Registration number	4153064

Date and place of incorporation	3 May 2006, Delaware, United States	
Duration of existence	Indefinite	
Place of domicile	United States	
Legal form	Corporation	
Registered office	1209 Orange Street Wilmington Delaware 19801 United States	
Telephone number	+1-732-542-1191	
Principal place of business	246 Industrial Way West Eatontown, New Jersey 07724 United States	
Directors	*Name*	*Relevant other activities*
	Mr. Ali Al-Husry	Founder and former CEO of The Capital Bank of Jordan; member of the Group's Board of Directors
	Mr. Hussein Arkhagha	General Counsel of the Group
	Mr. Riad Mishlawi (also known as Mechlaoui)	President, Injectables
Statutory auditors	PricewaterhouseCoopers LLP	
Principal activities	Holds title to real and personal property in Bedford, OH; involved in the development of injectable pharmaceutical products. The corporation may engage in any lawful act or activity for which corporations may be organised under the General Corporation Law of the State of Delaware.	

Hikma Labs Inc.

Legal and commercial name	Hikma Labs Inc.
Registration number	E0034412005-8
Date and place of incorporation	14 February 2005, Nevada, United States
Duration of existence	Indefinite
Place of domicile	United States
Legal form	Corporation
Registered office	701 S Carson Street, Suite 200 Carson City, Nevada 89701 United States
Telephone number	+1-614-276-4000
Principal place of business	1809 Wilson Rd Columbus

	Ohio 43228 United States	
Directors	*Name*	*Relevant other activities*
	Mr. Said Darwazah	Executive Chairman of the Group
	Mr. Ali Al-Husry	Founder and former CEO of The Capital Bank of Jordan; member of the Group's Board of Directors
	Mr. Hussein Arkhagha	General Counsel of the Group
Statutory auditors	PricewaterhouseCoopers LLP	
Principal activities	Research and development associated with pharmaceutical products.	

Hikma Pharma S.A.E.

Legal and commercial name	Hikma Pharma S.A.E.	
Registration number	87081	
Date and place of incorporation	12 September 1990, Giza, Egypt	
Duration of existence	25 years (which is renewable)	
Legal form	Joint Stock Company	
Registered office	Second Industrial Zone, Plot No. 1, 6 of October City, Giza Egypt	
Telephone number	+20-233047953	
Principal place of business	Second Industrial Zone, Plot No. 1, 6 of October City, Giza Egypt	
Directors	*Name*	*Relevant other activities*
	Mr. Mahira El Sayed	Non-Executive Chairman
	Hikma Investment LLC represented by Mr. Hassan Abdelbary	Vice President – Saudi Arabia

	Hikma Holdings Limited represented by Mr. Masoud Abdelmajid	Vice President of Hikma Egypt
	Hikma UK Limited represented by Mr. Yahia Alqawasmeh	Financial Advisor
	Hikma UK Limited represented by Mr. Tareq Darwazah	Vice President of the Central Hospital Unit – MENA Region

Statutory auditors Saleh, Barsoum & Abdel Aziz-Deloitte

Principal activities Production of pharmaceutical chemicals, manufacture of pharmaceuticals and medical supplies such as all types of solutions, analysis tapes, disinfectants, medical and non-medical cosmetics and special medical foods, operation in favour of third parties using the excess of production capacity of the company and operating with third parties.

Hikma Pharmaceuticals LLC

Legal and commercial name Hikma Pharmaceuticals LLC

Registration number 475

Date and place of incorporation 15 May 1977, Jordan

Duration of existence Indefinite

Legal form Limited liability company

Registered office 21 Saleem Bin AlHareth
Bayader Wadi El Seer,
Industrial Area,
Saleem Bin Al-Hareth St,
P.O. Box 182400,
Amman 11118,
Jordan

Telephone number +962-6-5802900

Principal place of business 21 Saleem Bin Al Hareth Bayader Wadi El Seer,
Industrial Area,
Saleem Bin Al-Hareth St,
P.O. Box 182400,
Amman 11118,
Jordan

Directors	*Name*	*Relevant other activities*

	Mr. Mazen Darwazah	Executive Vice Chairman of the Group, President and Chief Executive Officer of MENA
	Mr. Tamer S. Jardaneh	Vice President of Operations – MENA Region
	Dr. Salah Mawajdah	Head of Business—MENA region
	Ms. Majda Mishlawi (also known as Labadi)	Corporate Vice President for Human Resources and MENA region operations
	Mr. Tareq Darwazah	Vice President for Corporate Quality Compliance, Group
	Mr. Khalid Nabilsi	Chief Financial Officer of the Group
Statutory auditors	PricewaterhouseCoopers Jordan WLL	
Principal activities	Hikma Pharmaceuticals LLC is a holding company for certain of the Group's operations. In addition, it may hold educational and training courses without issuing certificates; manufacture raw materials for drugs; manufacture veterinary antibiotics; manufacture veterinary drugs; manufacture human drugs; import and export; exercise commercial works; own movable and immovable assets; guarantee third party obligations to achieve the company's objectives; mortgage company's movable and immovable assets as security for the company's loans; borrow from banks.	

Hikma Pharmaceuticals International Limited

Legal and commercial name	Hikma Pharmaceuticals International Limited
Registration number	07680243
Date and place of incorporation	23 June 2011, England and Wales
Duration of existence	Indefinite
Legal form	Private limited company
Registered office	1 New Burlington Place London W1S 2HR United Kingdom
Telephone number	+44 (0) 20 7399 2760
Principal place of business	1 New Burlington Place London

	W1S 2HR United Kingdom	
Directors	*Name*	*Relevant other activities*
	Mr. Gurpal Singh Atwal	Tax Director
	Mr. Peter Alexander Speirs	Company Secretary of the Group
	Mrs. Joanna Elizabeth Hansen	Senior Legal Counsel of the Group
Statutory auditors	PricewaterhouseCoopers LLP	
Principal activities	Hikma Pharmaceuticals International Limited manufactures generic pharmaceutical products internationally.	

Hikma Pharmaceuticals Public Limited Company

Legal and commercial name	Hikma Pharmaceuticals Public Limited Company
Registration number	05557934
Date and place of incorporation	8 September 2005, England and Wales
Duration of existence	Indefinite
Legal form	Public limited company
Registered office	1 New Burlington Place London W1S 2HR United Kingdom
Telephone number	+44 (0) 20 7399 2760
Principal place of business	1 New Burlington Place London W1S 2HR United Kingdom
Directors	See *"Management and Corporate Governance"*
Statutory auditors	PricewaterhouseCoopers LLP
Principal activities	The sole activity of Hikma Pharmaceuticals Public Limited Company is to act as the holding and management company of the Group and raise financing on behalf of the Group.

Hikma Pharmaceuticals USA Inc.

Legal and commercial name	Hikma Pharmaceuticals USA Inc. (formerly known as West-Ward Pharmaceuticals Corp.; formerly known as West-Ward Pharmaceutical Corp.)
Registration number	2264775

Date and place of incorporation	4 June 1991, State of Delaware, United States	
Duration of existence	Indefinite	
Place of domicile	United States	
Legal form	Corporation	
Registered office	1209 Orange Street Wilmington, Delaware 19801 United States	
Telephone number	+1-732-542-1191	
Principal place of business	246 Industrial Way West Eatontown, New Jersey 07724 United States	
Directors	*Name*	*Relevant other activities*
	Mr. Hussein Arkhagha	General Counsel of the Group
	Mr. Said Darwazah	Executive Chairman of the Group
	Mr. Ali Al-Husry	Founder and former CEO of The Capital Bank of Jordan; member of Hikma Pharmaceuticals PLC's Board of Directors
	Mr. Riad Mishlawi (also known as Mechlaoui)	President, Injectables
Statutory auditors	PricewaterhouseCoopers LLP	
Principal activities	Develops, manufactures, packages and sells pharmaceutical products, primarily in North America. The corporation may engage in any lawful act or activity for which corporations may be organised under the General Corporation Law of the State of Delaware.	

Hikma Specialty USA Inc.

Legal and commercial name	Hikma Specialty USA Inc.
Registration number	7435862
Date and place of incorporation	June 19, 2013, incorporated in Tennessee, United States; converted to a Delaware corporation on 24 May 2019. Current place of incorporation is Delaware, United States
Duration of existence	Indefinite
Place of domicile	United States
Legal form	Corporation
Registered office	1209 Orange Street Wilmington, Delaware 19801

	United States	
Telephone number	+1-614-276-4000	
Principal place of business	1900 Arlingate Lane Columbus, Ohio 43228 United States	
Directors	*Name*	*Relevant other activities*
	Mr. Brian Scott Hoffmann	President, Generics – US
	Ms. Kristy Ronco	EVP, Generics Commercial Operations – US
	Mr. Joel Rosenstack	EVP, Commercial Injectables – US
Statutory auditors	PricewaterhouseCoopers LLP	
Principal activities	Develops, manufactures, packages and sells pharmaceutical products, primarily in North America. The corporation may engage in any lawful act or activity for which corporations may be organised under the General Corporation Law of the State of Delaware.	

West-Ward Columbus Inc.

Legal and commercial name	West-Ward Columbus Inc.	
Registration number	863458	
Date and place of incorporation	27 November 1978, Delaware, United States	
Duration of existence	Indefinite	
Legal form	Corporation	
Registered office	1209 Orange Street Wilmington Delaware 19801 United States	
Telephone number	+1-614-276-4000	
Principal place of business	1809 Wilson Road Columbus, Ohio 43228 United States	
Directors	*Name*	*Relevant other activities*
	Mr. Ali Al-Husry	Founder and former CEO of The Capital Bank of Jordan; member of the Group's Board of Directors
	Mr. Hussein Arkhagha	General Counsel of the Group

	Mr. Said Darwazah	Executive Chairman of the Group
Statutory auditors	PricewaterhouseCoopers LLP	
Principal activities	Manufactures and packages pharmaceutical products, primarily for sale in North America. The corporation may engage in any lawful act or activity for which corporations may be organised under the General Corporation Law of the State of Delaware.	

Capital structure

The Company beneficially owns 100 per cent. of the share capital of the Issuer and of each Guarantor other than itself. As at 26 June 2020, the share capital of the Company amounted to £24,328,462 and was divided into 243,284,623 fully paid registered shares each of 10 pence nominal value, of which 12,833,233 (5.3 per cent.) are held in treasury. The Company's ordinary shares are admitted to trading on the London Stock Exchange.

Applicable law

Hikma Pharmaceuticals LLC and Arab Pharmaceutical Manufacturing PSC operate under the Jordanian Companies Law No. 22 of 1997, as amended. Hikma Farmacêutica (Portugal) S.A. operates under the Portuguese Commercial Company Code approved by the decree of law No. 262/86 on 2 September 1986, as amended. Eurohealth (U.S.A.), Inc., Hikma Injectables USA Inc., Hikma Pharmaceuticals USA Inc., Hikma Specialty USA Inc. and West-Ward Columbus Inc. operate under the General Corporation Law of the State of Delaware. Hikma Labs Inc. operates under the Chapter 78 of the Nevada Revised Statutes. Hikma Pharmaceuticals PLC and Hikma Pharmaceuticals International Limited operate under the UK Companies Act 2006. Al Jazeerah Pharmaceutical Industries Ltd operates under the Companies Law issued by Royal Decree No. M/3 dated 28/01/1437H (11 November 2015) as amended. Hikma Pharma S.A.E was established under Law No. 230 for the year 1989 and its executive regulations and currently operates under the Investment Law No. 72 for the year 2017.

Financial statements of the Guarantors

Arab Pharmaceutical Manufacturing PSC, Hikma Pharmaceuticals International Limited and Hikma Pharmaceuticals LLC produce individual financial statements in accordance with IFRS (on an unconsolidated basis). All other Guarantors produce financial statements in accordance with their respective local GAAPs as required by the regulatory or tax authorities in the jurisdictions of their incorporation.

PRINCIPAL SHAREHOLDERS

The table below sets forth certain information regarding ownership of the Company as at 26 June 2020.

	Ordinary shares in the Company	
Shareholder	**Number of ordinary shares**	**Percentage (%)**
Darhold Limited[(1)]	60,000,000	24.7%
Capital Group International	23,275,396	9.6%
Fidelity International	9,791,950	4.0%
Free float	137,384,044	56.5%
Total	**243,284,623**[(2)]	**100.0%**

Notes:

(1) Mr. Said Darwazah, Mr. Mazen Darwazah and Mr. Ali Al-Husry are shareholders and directors of Darhold Limited. Mr. Said Darwazah, Mr. Mazen Darwazah and Mr. Ali Al-Husry are all members of the Board of Directors of the Company.

(2) The Company holds 12,833,233 ordinary shares (5.3 per cent.) in treasury. The voting rights attaching to the treasury shares are not capable of exercise.

Save as disclosed above and as far as the Company is aware, there are no other persons who could, directly or indirectly, exercise control over the Company.

Save as disclosed in this section "*Principal Shareholders*" and in Note 39 to the 2019 Financial Statements and Note 40 of the 2018 Financial Statements and the 2017 Financial Statements, none of the directors of the Company (together, the "Board of Directors" or "Board") had or has any interests in any transactions which are or which were unusual in their nature or conditions or significant to the Group's business and which were effected by the Group during the current financial year or during the years ended 31 December 2017, 2018 and 2019 or during any previous financial year and which remain in any respect outstanding or unperformed.

None of the Company's shareholders has voting rights different from any other holders of the Company's shares.

MANAGEMENT AND CORPORATE GOVERNANCE

Directors

The following table sets forth the name, year of birth, date of first appointment and title of each director of the Company as at the date of this Offering Circular.

Name	Year of birth	Date of Appointment	Position
Mr. Said Darwazah	1957	1 July 2017	Executive Chairman
Mr. Sigurdur (Siggi) Olafsson	1968	20 February 2018	Chief Executive Officer
Mr. Mazen Darwazah	1958	8 September 2005	Executive Vice Chairman, President of MENA
Mr. Robert Pickering	1959	1 September 2011	Senior Independent Director
Mr. Ali Al-Husry	1957	14 October 2005	Non-Executive Director
Mr. Patrick Butler	1960	1 April 2014	Independent Non-Executive Director
Dr. Pamela Kirby	1953	1 December 2014	Independent Non-Executive Director
Mr. John Castellani	1951	1 March 2016	Independent Non-Executive Director
Mrs. Mary Regina (Nina) Henderson	1950	1 October 2016	Independent Non-Executive Director
Mrs. Cynthia Schwalm	1960	1 June 2019	Independent Non-Executive Director
Mr. Douglas Hurt	1956	1 May 2020	Independent Non-Executive Director

The business address for all of the members of the Board is 1 New Burlington Place, London W1S 2HR.

Mr. Said Darwazah has served as Executive Chairman since May 2014 and served as Chief Executive Officer from 2007 to 2018. Mr. Darwazah was Chairman and Chief Executive of the Group from 1994 to 2003 and Minister of Health for the Hashemite Kingdom of Jordan from 2003 to 2006.

During his 39 years at the Group, Mr. Darwazah has undertaken several executive roles which have provided him with extensive experience in each functional area of the Group's global generic pharmaceuticals business and in the broader strategic leadership of an international and entrepreneurial organisation. Mr. Darwazah has led the development of the group strategy, the Injectables business in Europe and the MENA region and acquisitions including West-Ward Pharmaceuticals and Baxter's injectable business.

Mr. Darwazah has a degree in industrial engineering from Purdue University and an MBA from INSEAD. Mr. Darwazah holds various public and charitable positions. He is the Chairman of the Queen Rania Foundation, a major charitable project, and a Director of Endeavour Jordan, a charitable organisation that assists in the development of entrepreneurs, and a Trustee of Jordan River Foundation, a charitable organisation that aims to empower Jordanian society. Said is also a trustee of the American University of Beirut. Said is a Board member of the Central Bank of Jordan and DASH Ventures Limited. He is also Chairman of Royal Jordanian and the Dead Sea Touristic & Real Estate Investments.

Mr. Sigurdur (Siggi) Olafsson was appointed CEO of the Group in 2018. Mr. Olafsson has significant international experience in the pharmaceutical industry. From 2012 to 2014, he was President of Actavis, which was then acquired by Teva Pharmaceuticals where he was appointed President and Chief Executive Officer of the Global Generic Medicines Group until 2017. Previously, he was Executive Vice President, Global Generics, at Actavis plc (Watson) from 2010 to 2012 and CEO of the Actavis Group from 2008 to 2010. From 2003 to 2008, he held positions of increasing responsibility within the Actavis Group, including Deputy CEO, Vice President of Corporate Development and CEO of Actavis Inc. From 1998 to 2003, he held positions of increasing responsibility with Pfizer's Global R&D organisation in the UK and US. From 1994 to 1998, he served as Head of Drug Development for Omega Farma in Iceland.

Mr. Olafsson holds a M.S. in pharmacy from the University of Iceland, Reykjavik. He currently is an executive trustee of the American Scandinavian Foundation.

Mr. Mazen Darwazah is Hikma's Executive Vice Chairman and President of MENA responsible for the strategic and operational direction of the business across the MENA region. During his 35 years' service at the Group, he has held an extensive range of positions within the Group starting as a medical representative and working in different capacities including Chairman and Chief Executive of Hikma Pharmaceuticals Limited, a major Group operational and holding company.

Mr. Darwazah holds a BA in Business Administration from the Lebanese American University and an AMP from INSEAD. He has served as a Senator in the Senate of Jordan and as the President of the Jordanian Association of Manufacturers of Pharmaceuticals and Medical Appliances. Mr. Darwazah is the Vice Chairman of the Capital Bank of Jordan and a trustee of the St. Louis College of Pharmacy, Birzeit University and King's Academy. He is also a member of His Majesty King Abdullah's Economic Policy Council.

Mr. Robert Pickering joined the board as a non-executive director in September 2011 and became Senior Independent Director in May 2014. Mr. Pickering spent 23 years at Cazenove & Co., becoming the first Chief Executive of Cazenove Group PLC in 2001. He subsequently served as Chief Executive of JP Morgan Cazenove, until his retirement in 2008. He has extensive experience of capital raising, mergers and acquisitions and of the relationship between quoted companies and investors.

Mr. Pickering is a qualified solicitor with a law degree from Lincoln College, Oxford. Mr. Pickering is a Director of Itau BBA International PLC, the investment bank of the Itaú Unibanco group. Mr. Pickering is Chairman of the Trustees of Lincoln College Oxford 2027 Trust.

Mr. Ali Al-Husry joined the Group as Director of Hikma Pharma Limited in 1981 and has held various directorships within the Group. Mr. Al-Husry brings great financial experience to the Board as well as an in-depth knowledge of the MENA region and the Group**.** Mr. Al-Husry was a founder of The Capital Bank of Jordan, which offers commercial and investment banking services, and served as Chief Executive Officer of the Bank until 2007.

Mr. Al-Husry has a degree in Mechanical Engineering from the University of Southern California and an MBA from INSEAD. Mr. Al-Husry is the founder and a Director of Endeavour Jordan, a not for profit organisation that assists in the development of entrepreneurs, and a Director of the Microfund for Women, which provides microfinance to low-income female entrepreneurs. Mr. Al-Husry is also a Board member of DASH Ventures Limited and Chariman of Alcazar Energy.

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

Prior to McKinsey, Mr. Butler qualified as a Chartered Accountant with the audit and tax practice of Arthur Andersen. He has a first-class honours degree in Commerce and a postgraduate diploma in Accounting and Corporate Finance from University College Dublin. Mr. Butler is a Director of Aldermore Group PLC, The Ardonagh Group Limited and Res Media Limited. Mr. Butler is also a governor of the British Film Institute and a trustee of the Resolution Foundation.

Dr. Pamela Kirby was Chief Executive of Quintiles Transnational Corp and has held senior executive positions in F Hoffmann-La Roche Ltd and AstraZeneca plc. Dr. Kirby has chaired Scynexis Inc., and was Senior Independent Director of Informa PLC. Dr. Kirby has previously held Non-Executive Director positions with Smith & Nephew PLC, Novo Nordisk A/S, Curalogic A/S, Victrex PLC and Oscient Pharmaceuticals Corp.

Dr. Kirby holds a first-class Bachelor of Science in Pharmacology and a PhD in Clinical Pharmacology from the University of London. She is a Non-Executive Director of DCC plc and Reckitt Benckiser Group PLC. Dr. Kirby is also a Supervisory Board Member for Akzo Nobel NV and a Non-Executive member of the board of the King's Health Partnership, an academic health-science centre.

Mr. John Castellani was President and Chief Executive Officer of Pharmaceutical Research and Manufacturers of America (PhRMA) from 2010 to 2015. Prior to that, he was the President and Chief Executive of Business Roundtable, an association of leading US company chief executives. During his career, Mr. Castellani has also held senior positions with Burson-Marsteller, Tenneco, Inc. and General Electric Corp., amongst others.

Mr. Castellani holds a Bachelor of Science in Biology from Union College Schenectady, New York. He is a member of the board of trustees of The Johns Hopkins Medical System Sibley Memorial Hospital, Washington, DC and a Director of 5th Port and a member of the Advisory Board of RSR Partners.

Mrs. Mary Regina (Nina) Henderson was a Corporate Vice President of Bestfoods and President of Bestfoods Grocery prior to the company's acquisition by Unilever. During her 30-year career with Bestfoods, and its predecessor company CPC International, she held a wide variety of Global and North American executive general management and marketing positions. Mrs. Henderson has served as a director of Royal Dutch Shell, AXA Financial, The Equitable Companies, DelMonte, Pactiv and Walter Energy. In 2019, she was appointed as the Group's Employee Engagement Representative by the Board of Directors.

Mrs. Henderson is an honours graduate of Drexel University and holds a Bachelor of Science. She is a Non-Executive Director of CNO Financial Group Inc and IWG PLC., a Trustee of Drexel University and a Director of the Foreign Policy Association, St. Christopher's Hospital for Children and Visiting Nurse Service of New York Inc. She is also Commissioner of the Smithsonian National Portrait Gallery and the President of the Kent Land Trust Foundation.

Mrs. Cynthia Schwalm was President and CEO of the North American divisions of the global pharmaceutical companies Ipsen and Eisai, and also held leadership positions at Amgen and Johnson & Johnson. For nearly a decade she served on the Women's Leadership Advisory Board at Harvard University's Kennedy School of Government.

Mrs. Schwalm holds a BSN from the University of Delaware and EMBA from Wharton at the University of Pennsylvania. She is a non-executive director of Caladrius Biosciences Inc., Kadmon Group, and G1 Therapeutics Inc., where she chairs the compensation committee. She is also a member of an angel investment group associated with the University of North Carolina.

Mr. Douglas Hurt served as Finance Director of IMI plc, the global engineering group, from 2006 to 2015. Prior to this, he held a number of senior finance and general management positions at GlaxoSmithKline plc, which he joined in 1983, previously having worked at Price Waterhouse. His career has included several years working in the US as the Chief Financial Officer and significant experience in European businesses as an Operational and Regional Managing Director.

Mr. Hurt is the Senior Independent Director and Chairman of the Audit Committee at Vesuvius PLC and Countryside Properties PLC. He is a non-executive director and Chairman of the Audit Committee of the British Standards Institution. Mr. Hurt served as Senior Independent Director and Chairman of the Audit Committee of Tate & Lyle plc until July 2019.

Mr. Hurt is a Chartered Accountant and holds an MA(Hons) in Economics from Cambridge University.

Senior Management of the Group

The following table sets forth the name and position of the senior management of the Group (the "Senior Management").

Name	Position
Mr. Bassam Kanaan	Executive Vice President, Corporate Development and M&A
Mrs. Majda Labadi (also known as Mishlawi)	Executive Vice President, Organisational Development
Mr. Khalid Nabilsi	Chief Financial Officer
Mrs. Susan Ringdal	Executive Vice President, Strategic Planning and Global Affairs
Mr. Riad Mishlawi (also known as Mechlaoui)	President, Injectables
Mr. Hussein Arkhagha	General Counsel
Mr. Brian Hoffmann	President, US Generics
Mrs. Henriette Nielsen	Executive Vice President, Business Operations
Dr. Shahin Fesharaki	Chief Scientific Officer
Mr. Peter Speirs	Company Secretary

Mr. Bassam Kanaan joined the Group as CFO in 2001 and played a leading role in preparing for the Group's IPO in 2005 and in its subsequent M&A activity. He currently heads Global Business Development, M&A, Alliance Management, as well as the Group's API Manufacturing and API Development.

Mr. Kanaan is qualified as a Certified Public Accountant (CPA) and Chartered Financial Analyst (CFA). Mr. Kanaan has a BA from Claremont McKenna College and an International Executive MBA from Kellogg/ Recanati Schools of Management.

Mrs. Majda Labadi has held a variety of roles during her 35 years at the Group including Purchasing Manager at Hikma Pharmaceuticals Limited, Strategy Manager at Hikma Investment, General Manager of Hikma Farmaceutica, Vice President of Injectables and Corporate Vice President, Human Resources. Mrs. Labadi currently leads the Group's Organisational Development function which is comprised of Human Resources, Diversity and Global Procurement.

Mrs. Labadi has completed the Advanced Management Program (AMP) programme at INSEAD, holds a Bachelor of Arts from the American University of Beirut and master's degree from Hochschule Fur Okonomie in Berlin, Germany.

Mr. Khalid Nabilsi has held several senior positions at the Group prior to assuming his current role, including Corporate Vice President, Finance and was a key member of the IPO team in 2005. Following qualification as a CPA he held a variety of roles in financial accounting, reporting and financial advisory services, and with

Atlas Investment Group (now AB Invest) where he was involved in mergers and acquisitions advisory services. Prior to Atlas, Mr. Nabilsi had managed several multinational audit engagements at Arthur Andersen in Amman, Jordan. As Chief Financial Officer, Mr. Nabilsi has integrated several acquisitions into the financial reporting structure, developed the Group internal control framework and implemented new leverage arrangements to fund acquisitions and capital investment.

Mr. Nabilsi is qualified as a Certified Public Accountant and has an MBA from the University of Hull.

Mrs. Susan Ringdal leads the Group's Strategic Planning and Global Affairs function which includes communications and corporate affairs, investor relations, business intelligence and strategic planning. Prior to joining Hikma, Mrs. Ringdal worked for the pharmaceutical distribution and retail pharmacy group Alliance UniChem plc. She also has experience as an equity analyst at Morgan Stanley in London.

Mrs. Ringdal holds a BA in History from Cornell University and an MBA from London Business School.

Mr. Riad Mishlawi (also known as Mechlaoui) is President of the Group's Injectables segment, and has held many position across the company including General Manager of Hikma Italy, Head of Injectables Manufacturing Operations and then EU Vice President and Global Head of Injectables. Mr. Mishwali was an Executive Director at Watson Pharmaceuticals from 1998 to 2005, responsible for Injectables operations. Mr. Mishwali has led the Group's Injectables segment through a period of rapid growth and has integrated operations into a global operation.

Mr. Mishlawi has a Bachelor of Science in Engineering and a Master of Science in Engineering Management from George Washington University.

Mr. Hussein Arkhagha is the General Counsel of the Group. He joined the Group in July, 2001 as a Legal Counsel. Since then, Mr. Arkhagha occupied several positions at the Group, including Head of Tax, Head of MENA Legal and Head of The Shareholders' Department.

Mr. Arkhagha is a qualified lawyer in Jordan and holds a Master of International Business Law from the University of Manchester, under the UK Chevening Scholarship.

Mr. Brian Hoffmann serves as President of the Group's US business with responsibility for two of the Group's facilities, supply chain, business development, and product selection. Mr. Hoffman originally joined the Group in 2009 to develop a strategy function and was later promoted to VP Corporate Development and SVP & General Manager. He has led many strategic initiatives including the acquisitions and integrations of Baxter's Multi-Source Injectables business and Boehringer Ingelheim's Roxane Laboratories. Previously he worked for L.E.K. Consulting as a management consultant in their Boston office where he led engagements for clients in a wide variety of areas including growth strategy, merger evaluation and integration, new product launches, and strategic alliances.

Mr. Hoffman holds a bachelor's degree in Business Administration from Boston University Questrom School of Management and an MBA from the University of Chicago Booth School of Business with concentrations in strategic management, finance, and marketing.

Mrs. Henriette Nielsen joined the Group in June 2018. She currently leads the Business Operations division which includes Legal, Pharmacovigilance, Compliance, Risk, IT, and Digital and Business Improvement. Mrs. Nielsen trained as a lawyer and became the General Counsel of Actavis, before moving into more operationally focused leadership roles in the global pharmaceutical industry.

Mrs. Nielsen has a law degree from the University of Copenhagen and a Master of Law from the University of Edinburgh.

Dr. Shahin Fesharaki brings more than 25 years extensive development experience in both generic and branded pharmaceuticals across a broad range of technologies and dosage forms. He has held senior R&D leadership positions at some of the most successful generic pharmaceutical companies including Watson, Apotex and more recently Actavis, where he led the development and commercialisation of hundreds of new products including ANDAs, first-to-file and first-to-market opportunities.

Dr. Fesharaki received a Ph.D. in Pharmaceutical Technology from the University of Mumbai, and his bachelor's degree in Pharmacy and a Master of Science in Experimental Pharmacology from Pune University.

Mr. Peter Speirs joined the Group as a Deputy Company Secretary in 2010 and assumed the role of Company Secretary in 2012. Previously, he worked in the Corporate Secretariat of Barclays and Pool Re, the UK terrorism re-insurer. Mr. Speirs also worked at Manifest, a leading corporate governance and proxy advisory agency. Mr. Speirs is responsible for advising on governance and listing matters at the Board and across the Group and ensuring the smooth management of the Board and committees.

Mr. Speirs is a Fellow of the Corporate Governance Institute and holds a law degree from University of East Anglia.

Corporate Governance

The Board is committed to meeting the standards of good corporate governance set out in the UK Corporate Governance Code (the "Code") and the Markets Law of the Dubai Financial Services Authority.

Currently, the Board is composed of three Executive Directors and eight Non-Executive Directors, seven of whom are independent. Accordingly, the Group complies with the Code's recommendation that at least half of the Board (excluding the chairman) should comprise independent non-executive directors. The Board acknowledges that Said Darwazah's position as Executive Chairman, having previously served as Chief Executive Officer, and his tenure as a director are departures from the UK Code. The role was created in February 2018, following the appointment of Siggi Olafsson as CEO. Previously, Said Darwazah was the Chairman and Chief Executive. The change of roles and appointment of a CEO has caused a reduction in Said's executive responsibilities, whilst still retaining his strategic input. The Board fully consulted with shareholders prior to Said's appointment as Chairman and Chief Executive in May 2014 and following the change to the position of Executive Chairman in February 2018. The Independent Non-Executive Directors met twice during 2019 to review the Board structure and concluded that the Executive Chairman role should continue. The Group is otherwise in full compliance with the Code.

Board of Directors

Members of the Board of Directors are elected by the annual general meeting. The Executive Directors' contracts are on a rolling basis, unless terminated by twelve months' written notice. The Remuneration Committee may in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to twelve months following the first year of employment. The Non-Executive Directors do not have service contracts, but have letters of appointment with the Group. Each appointment is terminable on one month's notice from either the Group or the Director, but is envisaged to be for an initial period of up to 36 months. This period can be renewed and extended for further periods.

The Board has established Audit, Nomination and Governance, Compliance, Responsibility and Ethics and Remuneration 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.

Audit Committee

The Audit Committee currently consists of Mr. Patrick Butler, Mr. Robert Pickering, Dr. Pamela Kirby, Mr. John Castellani, Mrs. Nina Henderson, Mrs. Cynthia Schwalm and Mr. Douglas Hurt. Mr. Patrick Butler and Mr. Douglas Hurt are considered by the Board to have recent and relevant financial experience. Mr. Butler is the Independent Chair of the Audit Committee and Mr. Douglas Hurt is his nominated successor. The Audit Committee meets approximately seven times a year and its duties include:

- assisting the Board in discharging its responsibilities with regard to financial reporting, external audit, internal audit, internal control and risk management;
- reviewing the Group's annual financial statements;
- reviewing and monitoring all audit and non-audit work undertaken by external auditors;
- advising on the appointment, reappointment and removal of external auditors; and
- reviewing the effectiveness of the Group's internal audit activities.

Nomination and Governance Committee

The Nomination and Governance Committee currently consists of Mr. Robert Pickering, Mr. Patrick Butler, Mr. Mazen Darwazah, Mrs. Nina Henderson and Mrs. Cynthia Schwalm, four of whom are independent Non-Executive Directors. The Chairman of the Committee is Mr. Robert Pickering and Mr. Patrick Butler is his nominated successor. The Committee meets approximately four times a year and its duties include:

- succession planning, including the progressive refreshing of the Board;
- ensuring that all appointments to the Boards are made on an objective basis;
- corporate governance arrangements across the Group;
- ensuring that candidates have sufficient time to devote to their prospective responsibilities;
- operating the Group's policies on monitoring Directors' conflicts of interest; and
- reviewing the appropriateness of the size, structure and composition of the Board.

Compliance, Responsibility and Ethics Committee

The Compliance, Responsibility and Ethics Committee (the "CREC") currently consists of Mr. John Castellani, Mr. Siggi Olafsson, Mr. Mazen Darwazah, Mr. Patrick Butler, Dr. Pamela Kirby, Mrs. Nina Henderson and Mr. Douglas Hurt. Mr. John Castellani is the Chairman of the CREC. The CREC meets approximately four times a year and its duties include:

- setting the overall strategy for the Group's response to bribery and corruption risks;
- approving the contents of all of the business' policies in areas where ethical judgments are important;
- overseeing the Group's ABC compliance programme, together with the Group policies on ethics and business conduct and ensuring that they operate adequately and effectively;
- reviewing the Group's policy on corporate responsibility at group level;
- overseeing the development of the Group's Code of Conduct; and
- overseeing the Group's speak-up process for employees to raise concerns and, where relevant, oversee the investigation.

Remuneration Committee

The Remuneration Committee currently consists of Dr. Pamela Kirby, Mr. Robert Pickering, Mr. Patrick Butler, Mr. John Castellani, Mrs. Nina Henderson, Mrs. Cynthia Schwalm and Mr. Douglas Hurt, all of whom are independent Non-Executive Directors. The Chairman of the Remuneration Committee is Dr. Pamela Kirby. The Remuneration Committee meets approximately five times a year and its duties include:

- setting and developing the Group's remuneration policy and overseeing its application;
- setting the remuneration of the Executive Directors and Chairman;
- recommending the remuneration of the Senior Management; and
- reviewing performance and ensuring the Group's remuneration structures mean that the interests of management and shareholders are aligned.

Directors' interests in shares

The Directors' interests in shares in the Company are detailed on page 97 of the 2019 Financial Statements. Changes to their interests in shares in the Company are notified to the Regulatory News Service as part of the Company's listing obligations. For further information on directors' interests in the Company's shares, see "*Principal Shareholders*".

Additional Information on the Directors

Other than their directorship of the Company, the current Directors' directorships and any directorship held by them in the five years preceding the date of this Offering Circular are as follows:

Director	Current Directorships/ Partnerships	Past Directorships/Partnerships
Mrs. Cynthia Schwalm	Caladrius Biosciences Inc.	
	G1 Therapeutics Inc.	
	Kadmon Group	
Mr. John Castellani	5th Port, LLC	
Mr. Mazen Darwazah	Darhold Limited	Jordan International Insurance Company
	HM King Abdullah Economic Policy Council	
	Capital Bank of Jordan	
Mrs. Nina Henderson	CNO Financial Group Inc.	
	IWG PLC	
	Visiting Nurse Service of New York Inc.	
	St. Christopher's Hospital for Children	
	Foreign Policy Association	
Dr. Pamela Kirby	DCC PLC	Scynexis Inc

Director	Current Directorships/ Partnerships	Past Directorships/Partnerships
	Akzo Nobel NV	Victrex plc
	King's Health Partnership	
	Reckitt Benckiser Group PLC	
Mr. Patrick Butler	Ardonagh Group Limited	British Business Bank Investments Limited
	Aldermore Group PLC	Bank of Ireland
	Res Media Limited	Towergate Group
Mr. Robert Pickering	Itau BBA International PLC	Neptune Investment Management
		CLSA UK
Mr. Said Darwazah	Darhold Limited	Jordanian University of Science and Technology
	Royal Jordanian	
	Queen Rania Foundation Limited Company	
	Central Bank of Jordan	
	DASH Ventures Limited	
	Endeavour Jordan	
	Deadsea Touristic & Real Estate Investments	
Mr. Mohammed 'Ali' Al-Husry	Darhold Limited	
	DASH Ventures Limited	
	Endeavor Jordan	
	Micro Fund for Women	
	Alcazar Energy	
	Capital Bank of Jordan	
Mr. Sigurdur (Siggi) Olafsson		Elucida Oncology Inc.
		Pfenex Inc.
Mr. Douglas Hurt	Vesuvius PLC	Tate and Lyle PLC
	Countryside Properties PLC	
	British Standards Institution	
	Fergie SARL	
	Keycharm Limited	

There are no loan arrangements in place between the Directors of the Company and any of its subsidiaries as at the date of this Offering Circular.

Remuneration of Directors and Senior Managers

The aggregate amount of compensation paid by the Group to its Directors and Senior Management for their services (excluding termination benefits) to the Group for the years ended 31 December 2017 (22 persons), 2018 (21 persons) and 2019 (21 persons) was US$32 million, US$26 million and US$26.8 million, respectively.

As at the date of this Offering Circular, no share options have been granted to the Company's Directors or employees other than in accordance with the rules of the 2004 Stock Option Plan, 2005 Long Term Incentive Plan, 2009 Management Incentive Plan, 2014 Executive Incentive Plan and 2017 Management Incentive Plan.

Litigation Statement about Directors and Officers

As at the date of this Offering Circular, no member of the Board of Directors or of the Group's Senior Management for at least the previous five years:

- has any convictions in relation to fraudulent offences;
- has held an executive function in the form of a senior manager or a member of the administrative management or supervisory bodies at the time of, or within twelve months preceding, the commencement of a receivership, liquidation, administration, company voluntary arrangement or a composition or arrangement with creditors of that company or a partner of a partnership at the time of or within twelve months preceding any compulsory liquidation, administration, receivership or partnership voluntary arrangement of that partnership. No member of the Board of Directors or of the Group's Senior Management (nor any partnership of which they have been partners) is or has been bankrupt, has made an individual voluntary arrangement with his creditors, or suffered the appointment of a receiver over any of his (or in the case of a partnership, the partnership's) assets; or
- has an unspent conviction for indictable offences or has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has ever 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.

Conflicts of Interest

As at the date of this Offering Circular, the Group is not aware of any actual or potential conflicts of interest between the duties of any of the members of the Board of Directors to the Group and their respective private interests. The current and past positions in external organisations of members of the Board of Directors are detailed in "*—Additional Information on the Directors*" above

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Conditions (as defined below) of the Notes which (subject to modification) will be endorsed on the Certificates (as defined below) issued in respect of the Notes:

Hikma Finance USA LLC (the "Issuer") has issued US$500,000,000 3.250 per cent. Guaranteed Notes due 2025 (the "Notes", which expression shall in these terms and conditions (the "Conditions"), unless the context otherwise requires, include any further notes issued pursuant to Condition 16 and forming a single series with the Notes of the Issuer), constituted by a fiscal agency agreement dated 9 July 2020 (the "Fiscal Agency Agreement") between the Issuer, Hikma Pharmaceuticals PLC (the "Company"), Al Jazeerah Pharmaceutical Industries Ltd, Arab Pharmaceutical Manufacturing PSC, Eurohealth (U.S.A.), Inc., Hikma Farmacêutica (Portugal) S.A., Hikma Injectables USA Inc., Hikma Labs Inc., Hikma Pharma S.A.E., Hikma Pharmaceuticals International Limited, Hikma Pharmaceuticals LLC, Hikma Pharmaceuticals USA Inc., Hikma Specialty USA Inc. and West-Ward Columbus Inc. (together, the "Initial Guarantors" and each an "Initial Guarantor", and together with any Additional Guarantor appointed pursuant to Condition 5.4, but excluding any Initial Guarantor or Additional Guarantor that is released (and then, where applicable, only in respect of the period(s) during which such Initial Guarantor or Additional Guarantor is released) from its obligations under the Deed of Guarantee, the Deed of Covenant and the Fiscal Agency Agreement pursuant to Condition 5.4.4, the "Guarantors" and each a "Guarantor"), Citibank, N.A., London Branch as fiscal agent, paying and transfer agent and Citigroup Global Markets Europe AG as registrar. The Notes have the benefit of: (i) a deed of covenant dated 9 July 2020 executed by the Issuer and each of the Initial Guarantors relating to the Notes (the "Deed of Covenant"); and (ii) a deed of guarantee dated 9 July 2020 executed by each of the Initial Guarantors relating to the Notes (the "Deed of Guarantee"). The fiscal agent, the registrar and the paying and transfer agents are referred to respectively as the "Fiscal Agent", the "Registrar" and the "Paying and Transfer Agents". "Agents" means the Fiscal Agent, the Registrar, the Paying and Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes. The Fiscal Agency Agreement includes the form of the Notes.

Copies of the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection during normal business hours at the specified offices of the Fiscal Agent, the Registrar and the Paying and Transfer Agents.

The Noteholders (as defined below) are deemed to have notice of all the provisions of the Fiscal Agency Agreement and are entitled to the benefit of and are deemed to have notice of all the provisions of the Deed of Covenant and the Deed of Guarantee applicable to them.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Fiscal Agency Agreement. In addition, references to these Conditions or any other document are to these Conditions or those documents as amended, supplemented or replaced from time to time and include any document which amends, supplements or replaces them.

1 Form, Specified Denomination and Title

The Notes are issued in the specified denomination of US$200,000 and integral multiples of US$1,000 in excess thereof.

The Notes are represented by registered certificates ("Certificates") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Notes by the same holder.

Title to the Notes shall pass by registration in the register for the Notes that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and

regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" and "holder" means the person in whose name a Note is registered.

2 Transfers of Notes

(a) Transfer

A holding of Notes may, subject to Condition 2(e), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Paying and Transfer Agent) of the Certificate(s) representing such Notes to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or any Paying and Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a person who is already a holder of Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Notes and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Notes scheduled to the Fiscal Agency Agreement as Schedule 4 (*Regulations Concerning the Transfer and Registration of Notes*). The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Fiscal Agent, provided that any such change is not prejudicial to the interests of the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(b) Exercise of Options or Partial Redemption in Respect of Notes

In the case of an exercise of a Noteholders' option in respect of, or a partial redemption of, a holding of Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Paying and Transfer Agent.

(c) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) or 2(b) shall be available for delivery within three business days of receipt of a duly completed form of transfer or Exercise Notice (as defined in Condition 7(c)) and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Paying and Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to any Paying and Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/ or such insurance as it may specify. In this Condition 2(c), "business day" means a day, other than a Saturday or Sunday, on which commercial

banks and foreign exchange markets are open for business in the place of the specified office of the relevant Paying and Transfer Agent or the Registrar (as the case may be).

(d) Transfer or Exercise Free of Charge

Certificates, on transfer, exercise of an option or partial redemption, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Paying and Transfer Agent, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or any Paying and Transfer Agent may require).

(e) Closed Periods

No Noteholder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Note, (ii) after any such Note has been called for redemption, or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(a)(ii)).

3 Status of the Notes

The Notes constitute direct, unconditional and (subject to Condition 5.1) unsecured obligations of the Issuer and shall at all times rank and will rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5.1, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

4 Guarantee and Status

(a) Guarantee

The Guarantors have unconditionally, irrevocably and jointly and severally guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes. The Guarantors' obligations in that respect (the "Guarantee") are set out in the Deed of Guarantee.

(b) Status

The Guarantee constitutes direct, unconditional and (subject to Condition 5.1) unsecured obligations of each Guarantor. The obligations of each Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5.1, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The liability of Eurohealth (U.S.A.), Inc., Hikma Injectables USA Inc., Hikma Labs Inc., Hikma Pharmaceuticals USA Inc. and West-Ward Columbus Inc. (each, a "US Guarantor") under the Deed of Guarantee is limited to a maximum amount equal to the greatest amount that would not render any US Guarantor's obligations under the Deed of Guarantee subject to avoidance as a fraudulent transfer or conveyance under Section 548 of the United States Bankruptcy Code.

The liability of Al Jazeerah Pharmaceutical Industries Ltd (the "Saudi Guarantor") under the Deed of Guarantee is limited to US$726,562,500.

5 Covenants

Each of the Issuer and the Guarantors covenants that, for so long as any Note is outstanding (as defined in the Fiscal Agency Agreement):

5.1 Negative Pledge

it will not, and will ensure that none of its Material Subsidiaries will, create, incur, assume or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto (x) securing all amounts payable by it hereunder or under the Guarantee, as the case may be, equally and rateably with the security created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity; or (y) providing such other security for the payment of such amounts as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders;

5.2 Limitation on Indebtedness

it will not, and will not permit any of its Subsidiaries to, Incur, directly or indirectly, contingently or otherwise, any Indebtedness (other than Permitted Indebtedness), provided that it will be permitted to Incur additional Indebtedness if on the date of such Incurrence:

5.2.1 no Potential Event of Default or Event of Default has occurred and is continuing or would occur as a consequence of such Incurrence; and

5.2.2 the Consolidated Coverage Ratio is not less than 2.5:1.

The provisions of this Condition 5.2 shall not apply if and for so long as the Company has Investment Grade Status. However, the provisions of this Condition 5.2 shall immediately apply if and for so long as the Company does not have Investment Grade Status. Calculations under the reinstated Condition 5.2 will be made as if this Condition 5.2 had been in effect since the Issue Date except that no Event of Default will be deemed to have occurred solely by reason of any Incurrence of Indebtedness made while the provisions of this Condition 5.2 were suspended;

5.3 Limitation on Line of Business

it will not, and will not permit any of its Subsidiaries to, engage in any business other than a Related Business;

5.4 Guarantor Group

5.4.1 it will:

(a) ensure that the aggregate of earnings before interest, tax, depreciation and amortisation of each of the Guarantors (in each case calculated on an unconsolidated basis and excluding all intra-group items but otherwise calculated on the same basis as Consolidated Core EBITDA) represents not less than 70 per cent. of the Consolidated Core EBITDA of the Group at the end of each Measurement Period (the "Consolidated Core EBITDA Test"); and

(b) if the Consolidated Core EBITDA Test is not satisfied at the end of any Measurement Period, cause (subject to Condition 5.4.3) one or more of the Company's Subsidiaries that are not Guarantors to become Guarantors (such Subsidiaries, the "Additional Guarantors" and each, an "Additional Guarantor") within 60 days of the publication of the most recent financial statements in respect of such Measurement Period to the extent necessary to ensure satisfaction of the Consolidated Core EBITDA Test (had it been calculated to include the contribution of such Additional Guarantor(s) in respect of such Measurement Period) and, provided that it does so, no breach of Condition 5.4.1(a) shall be deemed to have occurred.

Furthermore, the Company may, at its option, at any time and for any reason, without prejudice to the remaining provisions of this Condition 5.4, cause any of its Subsidiaries that is not at such time a Guarantor to become an Additional Guarantor, whether or not required to ensure satisfaction of the Consolidated Core EBITDA Test;

5.4.2 subject to Condition 5.4.3, if the Issuer and/or the Guarantors are required or the Company elects pursuant to Condition 5.4.1 to cause one or more of the Company's Subsidiaries that are not Guarantors to become Additional Guarantors, the Company will procure that such Additional Guarantor(s) will each: (a) execute a Guarantee Deed of Accession and an FAA Deed of Accession; (b) obtain the opinion specified in Clause 2.9 of the Deed of Guarantee; and (c) procure that copies of such documents and opinion will be made available by the Fiscal Agent for inspection by Noteholders as provided in the Deed of Guarantee. Notwithstanding any other provision of this Condition 5.4, the obligations of any Additional Guarantor under such documents may be limited to the extent required by law or regulation in order for such obligations to be legal, valid and binding obligations of the Additional Guarantor, enforceable in accordance with their respective terms;

5.4.3 the Issuer and the Guarantors shall not be required to cause a Subsidiary to become an Additional Guarantor pursuant to Condition 5.4.1 and Condition 5.4.2 if in so doing the Subsidiary would (x) violate applicable law or (y) breach the provisions of, be in default under, require the consent of any third party to a waiver of the terms of, or subject the officers, directors or shareholders of such Subsidiary to liability under, any joint venture agreement or other shareholder arrangement binding or intended to be binding on that Subsidiary and/or its shareholders, provided that such violation, breach or requirement for consent cannot be prevented or otherwise avoided by the Company and/or such Subsidiary taking reasonable measures available to it or, in the case of consent, such consent cannot reasonably be obtained by the Company and/or the Subsidiary. For the avoidance of doubt, no Event of Default shall occur under Condition 5.4.1 and/or 5.4.2 if the Consolidated Core EBITDA Test cannot be satisfied in respect of any Measurement Period as a result of the circumstances specified in this Condition 5.4.3, provided however that any such failure to satisfy the Consolidated Core EBITDA Test could not have been remedied in respect of the relevant Measurement Period by the Issuer and/or the Guarantors causing one or more alternate Subsidiaries to become Additional Guarantors in accordance with this Condition 5.4;

5.4.4 without prejudice to Conditions 5.4.1 and 5.4.2, in respect of each Guarantor other than the Company, such Guarantor shall be released from its obligations under the Deed of Guarantee, the Deed of Covenant and the Fiscal Agency Agreement (and such documents shall be deemed amended accordingly), without the consent, or any further action required on the part, of the Noteholders or any other party to such agreements, in the following circumstances:

(a) in the case of the sale, exchange, transfer or other disposal of all or substantially all of the Capital Stock or assets of such Guarantor to a person other than the Company or any of its Subsidiaries (where such sale, exchange, transfer or other disposal is neither prohibited by nor causes a breach of any of these Conditions); or

(b) at the option of the Company, acting in its sole discretion, following the end of any Measurement Period if such Guarantor's contribution to the Consolidated Core EBITDA of the Group during such Measurement Period is not required in order to ensure the satisfaction of the Consolidated Core EBITDA Test; or

(c) where all or substantially all the undertaking and assets of such Guarantor are transferred to or otherwise vested in the Issuer, any other Guarantor or any other Subsidiary of the

Company which becomes an Additional Guarantor immediately following such transfer or vesting.

Such release and amendments shall occur:

(i) in the case of Condition 5.4.4(a), on the date of completion of the relevant sale, exchange, transfer or other disposal;

(ii) in the case of Condition 5.4.4(b), on the date of the Officer's Certificate delivered after the end of the relevant Measurement Period pursuant to Condition 5.6; and

(iii) in the case of Condition 5.4.4(c), on the date of completion of the relevant transfer or vesting.

The Issuer and the Guarantors shall promptly take all necessary actions and execute any necessary documentation in order to effect any release in accordance with this Condition 5.4.4 and shall promptly notify the Noteholders of such release in accordance with Condition 14.

For the avoidance of doubt, this Condition 5.4.4 shall not in any circumstances be applicable to the Company or the Guarantee provided by the Company; and

5.4.5 if and for so long as the Company has Investment Grade Status, the foregoing requirements of this Condition 5.4 shall not apply and none of the Guarantors (except for the Company) shall be bound by or have any obligations under the Deed of Guarantee, the Deed of Covenant or the Fiscal Agency Agreement. However, this Condition 5.4 shall immediately apply again (and the obligations of the Guarantors (which had been bound by such documents immediately prior to such disapplication) under such documents shall be reinstated) if and for so long as the Company does not have Investment Grade Status. Upon any such reinstatement of Condition 5.4, the Consolidated Core EBITDA Test shall first be tested by reference to the Measurement Period which ended immediately prior to the date of such reinstatement (and for which purposes one or more of the Company's Subsidiaries that are not Guarantors shall be required (subject to the other provisions of this Condition 5.4) to become Additional Guarantors, to the extent necessary to satisfy the Consolidated Core EBITDA Test, by no later than the date falling 60 days following the date of reinstatement). Furthermore, no Event of Default will be deemed to have occurred solely by reason of the Consolidated Core EBITDA Test not being satisfied while this Condition 5.4 was suspended;

5.5 Financial information

it will cause to be published on the Company's website: (i) no later than 120 days after the end of each financial year, the audited annual consolidated financial statements of the Group, prepared in accordance with IFRS; and (ii) no later than 90 days after the end of any period for which interim consolidated financial statements are published by the Company, such interim consolidated financial statements of the Group, prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting";

5.6 Officer's Certificate

it will procure that the Fiscal Agent will make available to Noteholders (free of charge, upon request) (x) upon the publication of the financial statements referred to in Condition 5.5 and (y) as soon as reasonably practicable following a request by a Noteholder (and in any event within 30 days of such request) an Officer's Certificate: (i) certifying compliance with the provisions of this Condition 5 (including the Consolidated Core EBITDA Test but subject to the provisions of Condition 5.4.1(b) where accession of one or more Additional Guarantor(s) is required by the date specified therein); (ii) setting

out the Consolidated Coverage Ratio; (iii) setting out the proportion of the Consolidated Core EBITDA of the Group represented by the aggregate of earnings before interest, tax, depreciation and amortisation of each of the Guarantors (in each case calculated on an unconsolidated basis and excluding all intra-group items but otherwise calculated on the same basis as Consolidated Core EBITDA) for the immediately preceding Measurement Period; (iv) where applicable, certifying that the conditions for release of the relevant Guarantor(s) specified in, and pursuant to, Condition 5.4.4(b) have been met; and (v) stating whether since the date of the last Officer's Certificate or (if none) the Issue Date, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Company, any Event of Default, Potential Event of Default, Change of Control or Guarantor Group Remediation Event has occurred, providing details in respect thereof and stating what action it is taking or proposes to take with respect thereto;

5.7 Listing

it will use its reasonable endeavours to maintain the trading of the Notes on the International Securities Market of the London Stock Exchange plc; provided that if it is unable to do so having used all reasonable endeavours or if the maintenance of such trading is impracticable or unduly onerous, it will use its reasonable endeavours promptly to obtain and thereafter to maintain the admission to listing and/or trading of the Notes on another internationally recognised stock exchange in the United Kingdom, the Channel Islands or the European Economic Area as selected by the Company in its sole discretion; and

5.8 Rating

the Company will maintain a corporate rating with at least two Rating Agencies, provided that if the Company fails to maintain, at all times, such corporate rating with at least two Rating Agencies (whether due to one of the Company's corporate ratings being withdrawn, a change in Rating Agency or for any other reason) such failure shall not constitute an Event of Default where the Company obtains a second corporate rating from any other Rating Agency within 90 days of (but excluding) the date of such failure.

6 Interest

The Notes bear interest on their outstanding principal amount from and including 9 July 2020 (the "Interest Commencement Date") at the rate of 3.250 per cent. per annum, payable semi-annually in arrear on 9 January and 9 July in each year (each an "Interest Payment Date"). Each Note will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Note, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed in that month on the basis of a month of 30 days.

The period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "Interest Period".

Interest in respect of any Note shall be calculated per US$1,000 in principal amount of the Notes (the "Calculation Amount"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

7 Redemption and Purchase

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on 9 July 2025 (the "Maturity Date"). The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

(b) Redemption at the Option of the Issuer (Make Whole Redemption)

The Notes may be redeemed by the Issuer in whole, but not in part, on giving not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption (the "Optional Redemption Date")), at any time prior to the day falling 90 days prior to the Maturity Date, at the Optional Redemption Amount.

Upon the expiry of any such notice given in accordance with this Condition 7(b) and payment in full of the Optional Redemption Amount to the Noteholders, no further amounts shall be payable in respect of the Notes and the Issuer shall have no further obligations in respect thereof.

(c) Redemption at the Option of the Issuer (Maturity Par Call Option)

The Notes may be redeemed by the Issuer in whole, but not in part, on giving not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), at any time during the period from (and including) the day that is 90 days prior to the Maturity Date to (but excluding) the Maturity Date, at their principal amount together with any accrued and unpaid interest on the Notes to (but excluding) the date fixed for redemption.

Upon the expiry of any such notice given in accordance with this Condition 7(c) and payment in full of such amounts to Noteholders, no further amounts shall be payable in respect of the Notes and the Issuer shall have no further obligations in respect thereof.

(d) Redemption at the Option of the Issuer (Clean-up Call Option)

If at least 85 per cent. of the initial aggregate principal amount of the Notes has been purchased and cancelled pursuant to Condition 7(h), the Issuer may, on giving not less than 15 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption (the "Clean-up Call Date")), redeem all (but not some only) of the remaining outstanding Notes on the Clean-up Call Date at their principal amount together with any accrued and unpaid interest on the Notes to (but excluding) the Clean-up Call Date.

Upon the expiry of any such notice given in accordance with this Condition 7(d) and payment in full of such amounts to Noteholders, no further amounts shall be payable in respect of the Notes and the Issuer shall have no further obligations in respect thereof.

(e) Redemption for Taxation and other Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which

notice shall be irrevocable), at their principal amount, (together with interest accrued to but excluding the date fixed for redemption), if (i) the Issuer (or, if the Guarantee were called, any Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the United States (in the case of a payment by the Issuer, Hikma Pharmaceuticals USA Inc., Eurohealth (U.S.A.), Inc., Hikma Labs Inc., West-Ward Columbus Inc., Hikma Injectables USA Inc. or Hikma Specialty USA Inc.), the United Kingdom (in the case of a payment by the Company or Hikma Pharmaceuticals International Limited), Jordan (in the case of a payment by Hikma Pharmaceuticals LLC or Arab Pharmaceutical Manufacturing PSC), Portugal (in the case of a payment by Hikma Farmacêutica (Portugal) S.A.), Egypt (in the case of a payment by Hikma Pharma S.A.E.) or Saudi Arabia (in the case of a payment by Al Jazeerah Pharmaceutical Industries Ltd) or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 July 2020, and (ii) such obligation cannot be avoided by the Issuer (or the relevant Guarantor(s), as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the relevant Guarantor(s), as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(e), the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer (or the relevant Guarantor(s), as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the relevant Guarantor(s), as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

(f) Redemption at the Option of Noteholders

If a Change of Control or Guarantor Group Remediation Event (each as defined below) occurs, the Issuer shall, at the option of the holder of any Note (unless prior to the giving of the relevant Exercise Notice (as defined below) the Issuer has given notice of redemption under this Condition 7), redeem in whole (but not in part) such Note on the Put Date (as defined below) at its outstanding principal amount together with interest (if any) accrued to (but excluding) the Put Date.

Promptly upon: (i) the Issuer becoming aware that a Change of Control has occurred; or, as the case may be: (ii) the occurrence of a Guarantor Group Remediation Event, the Issuer shall give notice (a "Put Event Notice") to the Noteholders in accordance with Condition 14 specifying the nature of the Change of Control or, as the case may be, the occurrence of the Guarantor Group Remediation Event and the procedure for exercising such option.

For the purpose of these Conditions:

(i) a "Change of Control" shall occur if any person acting alone or persons acting together and/or in concert (as defined in the City Code on Takeovers and Mergers) with other person(s):

(A) become(s) the beneficial owner (directly or indirectly) of more than 50 per cent. of the Company's Voting Stock; or

(B) gain(s) the right to exercise control over the Company by any other means, such as, without limitation, the right to appoint or remove the majority of the Board of Directors of the Company or to otherwise determine decision making or management of the Company;

(ii) a "Guarantor Group Remediation Event" shall occur if the Consolidated Core EBITDA Test is not satisfied in respect of any Measurement Period as a result of the circumstances specified in Condition 5.4.3 and such failure to satisfy the Consolidated Core EBITDA Test is not remedied by the Issuer and/or the Guarantors by the end of the second succeeding Measurement Period (whether such remedy arises by one or more alternate Subsidiaries having become Additional Guarantor(s) in accordance with Condition 5.4 or otherwise);

(iii) "Put Date" shall be the tenth Business Day after the expiry of the Put Period; and

(iv) "Put Period" shall be the period of 30 days after a Put Event Notice is given.

To exercise such option the holder must surrender the Certificate representing such Note to any Paying and Transfer Agent or the Registrar at its specified office at any time during the Put Period, together with a duly completed exercise notice ("Exercise Notice") in the form obtainable from any Paying and Transfer Agent or the Registrar within the Put Period. No Certificate so surrendered and option so exercised may be withdrawn (except as provided in the Fiscal Agency Agreement) without the prior consent of the Issuer, provided however that:

(i) if prior to the relevant Put Date the Notes evidenced by any Certificate so surrendered become immediately due and payable; or

(ii) if payment of the redemption monies in respect of the Note(s) represented by any Certificate so surrendered is improperly withheld or refused,

such Certificate shall, without prejudice to the exercise of the option, be returned to the holder by uninsured post to, and at the risk of, the relevant Noteholder (unless the Noteholder otherwise requests and pays the costs of such insurance in advance to the relevant Agent) to such address as may have been given by the Noteholder in the Exercise Notice or, where no address has been given, to the address appearing in the Register. The Issuer shall redeem the relevant Notes on the Put Date unless previously redeemed and cancelled.

(g) Purchase

The Issuer, the Guarantors and their respective Subsidiaries may at any time purchase Notes in the open market or otherwise at any price. The Notes so purchased may be held or resold (provided that such resale is outside the United States and is otherwise made in compliance with all applicable laws) or, at the option of the Issuer, relevant Guarantor or relevant Subsidiary (as the case may be), surrendered for cancellation in compliance with Condition 7(h) below. The Notes so purchased, while held by or on behalf of the Issuer, any Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of these Conditions.

(h) Cancellation

All Certificates representing Notes purchased by or on behalf of the Issuer, any Guarantor or any of their respective Subsidiaries and which are to be surrendered for cancellation as referred to in Condition 7(g) shall be surrendered to the Registrar and, upon surrender thereof, all such Notes shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantors in respect of any such Notes shall be discharged.

8 Payments

(a) Method of Payment

(i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying and Transfer Agent or of the Registrar) in the manner provided in paragraph (ii) below.

(ii) Interest on each Note shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "Record Date"). Payments of interest on each Note shall be made in US dollars by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Paying and Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in US dollars maintained by the payee with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Noteholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) Payments subject to Laws

Save as provided in Condition 9, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws and regulations to which the Issuer or the relevant Guarantor(s) or their respective agents agree to be subject and neither the Issuer nor any Guarantor will be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(c) Payment Initiation

Where payment is to be made by transfer to an account in US dollars, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed on the last day on which the Fiscal Agent is open for business preceding the due date for payment or, in the case of payments of principal (and accrued interest, if applicable) where the relevant Certificate has not been surrendered at the specified office of any Paying and Transfer Agent or of the Registrar, on a day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

(d) Appointment of Agents

The Fiscal Agent, the Registrar and the Paying and Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Registrar and the Paying and Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Registrar or any Paying and Transfer Agent and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Paying and Transfer Agent (which may be the Fiscal Agent), and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed or admitted to trading.

Notice of any change of any specified office of any Agent shall promptly be given to the Noteholders in accordance with Condition 14.

(e) Delay in Payment

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day, if the Noteholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 8(a)(ii) arrives after the due date for payment.

(f) Non-Business Days

If any date for payment in respect of any Note is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment.

In this Condition 8, "business day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and, where payment is to be made by transfer to an account maintained with a bank in US dollars, on which foreign exchange transactions may be carried on in US dollars in New York.

9 Taxation

All payments of principal and interest by or on behalf of the Issuer or any Guarantor in respect of the Notes or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the relevant Guarantor(s) shall pay such additional amounts as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

(a) Other connection

held by or on behalf of a holder or beneficial owner who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with a Tax Jurisdiction, other than the mere holding of the Note; or

(b) Surrender more than 30 days after the Relevant Date

in cases where surrender is required, in respect of which the Certificate representing such Note is surrendered for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Note for payment on the last day of such period of 30 days assuming that day to have been a business day (as defined in Condition 8); or

(c) FATCA

where such withholding or deduction is imposed under Sections 1471 through 1474 of the US Internal Revenue Code of 1986, as amended (the "Code"), including pursuant to an agreement described in Section 1471(b)(1) of the Code, under any intergovernmental agreement implementing such provisions of the Code or any laws implementing any of the foregoing; or

(d) Payment by another Agent

where the Certificate representing such Note is surrendered for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by surrendering (or procuring the surrender of) the relevant Certificate to another Agent elsewhere; or

(e) US Taxes

where such withholding or deduction is required:

(i) for or on account of any such tax, duty, assessment or governmental charge that is imposed on a holder or beneficial owner of the Note that (A) actually or constructively owns 10 per cent. or more of the total combined voting power of all classes of stock of the Issuer entitled to vote within the meaning of Section 871(h)(3) of the Code, (B) is a controlled foreign corporation that is related directly or indirectly to the Issuer through stock ownership within the meaning of Section 864(d)(4) of the Code, or (C) is a bank that is treated as receiving amounts paid on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code;

(ii) for or on account of any tax, duty, assessment or other governmental charge imposed by reason of the holder's or beneficial owner's past or present status (or the past or present status of a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate, a trust, a partnership or a corporation) as a personal holding company, private foundation or other tax exempt organisation, or as a corporation that accumulates earnings to avoid US federal income tax; or

(iii) for or on account of any tax, duty, assessment or other governmental charge that would not have been imposed but for a failure to comply with applicable certification, documentation, identification, information or other reporting requirement concerning the nationality, residence, identity or connection with the United States of the holder or the beneficial owner of a Note if such compliance is required by a statute or regulation of the United States or by a tax treaty of the United States, as a precondition to relief or exemption from such tax, assessment or other government charge.

"Relevant Date" in respect of any Note means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further surrender of the Certificate representing such Note being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

"Tax Jurisdiction" means the United States, the United Kingdom, Egypt, Saudi Arabia, Jordan and Portugal.

Any reference in these Conditions to "principal" or "interest" shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 9. Further, for the avoidance of doubt, any withholding or deduction which is imposed under the Code, including pursuant to an agreement described in Section 1471(b)(1) of the Code, under any intergovernmental agreement implementing such provisions of the Code or under any laws implementing any of the foregoing shall be treated as required by law for the purposes of this Condition 9.

10 Events of Default

If any of the following events ("Events of Default") occurs and is continuing:

(a) Non-Payment

either the Issuer or any Guarantor pursuant to the Guarantee fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of seven days in the case of principal or 14 days in the case of interest; or

(b) Breach of Other Obligations

either the Issuer or any Guarantor does not perform or comply with any one or more of its covenants or other obligations under these Conditions or under the Guarantee which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) Cross-Acceleration

(i) any other present or future Indebtedness of the Issuer, any Guarantor or any of the Company's Subsidiaries becomes due and payable prior to its stated maturity by reason of any event of default or the like (howsoever described), or (ii) any such Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, provided that the aggregate amount of the relevant Indebtedness in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds US$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) Enforcement Proceedings

a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or substantially all of the property, assets or revenues of the Issuer, any Guarantor or any of the Company's Material Subsidiaries and is not discharged, dismissed or stayed within 30 days; or

(e) Security Enforced

any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, any Guarantor or any of the Company's Material Subsidiaries over all or substantially all of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person) and is not discharged, dismissed or stayed within 30 days; or

(f) Order to Pay Specified Amount

one or more judgments or orders for the payment of any sum in excess of US$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this paragraph operates), whether individually or in aggregate, is (or are) rendered against the Issuer, any Guarantor and/or any of the Company's Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the last date for payment thereof; or

(g) Insolvency, etc.

the Issuer, any Guarantor or any of the Company's Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, or stops, suspends or threatens to stop or suspend payment of all or (in the case of the Issuer or the Company) a material part, or (in the case of any of the Company's Material Subsidiaries) substantially all, of its debts, or proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of any material

part which it will or might otherwise be unable to pay when due), or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts, or a moratorium is agreed or declared or comes into effect in respect of or affecting all or (in the case of the Issuer or the Company) any material part, or (in the case of any of the Company's Material Subsidiaries) substantially all, of its debts; or

(h) Winding-up, etc.

an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, any Guarantor or any of the Company's Material Subsidiaries, or the Issuer or any Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Subsidiary of the Company, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or any Guarantor (as the case may be) or another of the Company's Subsidiaries. For the purpose of this Condition 10(h), the sale of any Subsidiary of the Company and/or all or substantially all of the business and/or assets of such Subsidiary on arm's length terms shall not constitute a cessation of all or substantially all of the business or operations by or in respect of such Subsidiary (provided that, for the avoidance of doubt, the provisions of Condition 5.4 shall continue to apply after such sale in accordance with the terms of such Condition); or

(i) Authorisation and Consents

any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and each Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes and the Guarantee (as applicable), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes and the Guarantee admissible in evidence in the courts of England, is not taken, fulfilled or done and such failure is incapable of remedy or is not remedied within 30 days; or

(j) Illegality

it is or will become unlawful or impossible for the Issuer or any Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Guarantee (as the case may be); or

(k) Analogous Events

any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 10.

then any Note may, by notice in writing given to the Fiscal Agent at its specified office by the holder, be declared immediately due and payable whereupon it shall become immediately due and payable at its principal amount together with interest (if any) accrued to the date of payment without further action or formality.

11 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9) in respect of them.

12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Paying and Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Meetings of Noteholders, Modification and Substitution

(a) Meetings of Noteholders

The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer, any Guarantor or Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, or interest on, or to vary the method of calculating the rate of interest on, the Notes, (iii) to change the currency of payment of the Notes, (iv) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Guarantee, in which case the necessary quorum will be two or more persons holding or representing not less than two thirds, or at any adjourned meeting not less than 25 per cent., in principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) Modification of the Fiscal Agency Agreement

The Issuer and the Guarantors shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

(c) Substitution

The Issuer, or any previously substituted company, may at any time, without the consent of the Noteholders, substitute for itself as principal debtor under the Notes, any member of the Group (the "Substitute") provided that such substitution may take place only if:

(i) no Event of Default has occurred and is continuing at the relevant time or would occur as a consequence of such substitution;

(ii) the substitution will not result in a downgrade in any then current credit rating of the Notes (which has been solicited by or on behalf of the Issuer or the Company) and this is confirmed to the Issuer or the Company, as the case may be, in writing by each Rating Agency that has assigned such a credit rating to the Notes;

(iii) the substitution shall be made by a deed of substitution (the "Deed of Substitution") to be executed by the Issuer, the Substitute and the Guarantors substantially in the form scheduled to the Fiscal Agency Agreement as Schedule 8 (*Form of Deed of Substitution*) and shall be effective on and from the time specified in such Deed of Substitution (the "Time of Substitution");

(iv) with effect from the Time of Substitution, Condition 5.4.1 shall be amended such that the aggregate of earnings before interest, tax, depreciation and amortisation of the Substitute (calculated as described in Condition 5.4.1) shall count for the purposes of the Consolidated Core EBITDA Test;

(v) where the Substitute is incorporated, domiciled or resident for taxation purposes in a territory other than a Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, the Deed of Substitution contains a covenant by the Substitute and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant by the Substitute in terms corresponding to the provisions of Condition 9 with the inclusion in the definition of "Tax Jurisdiction" of a reference to the territory in which the Substitute is incorporated, domiciled and/or resident for taxation purposes;

(vi) the Substitute shall, by means of the Deed of Substitution, agree to indemnify each Noteholder against any tax, duty, assessment or governmental charge, and any other cost or expense, that in each case is imposed on such Noteholder by (or by any authority in or of) the jurisdiction or the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note and that would not have been so imposed had the substitution not been made, in each case other than any tax, duty, assessment or governmental charge or other cost or expense imposed on or calculated by reference to any net income or gain received or receivable by or on behalf of a Noteholder in connection with such substitution;

(vii) the obligations of the Substitute under the Deed of Substitution and the Notes shall be unconditionally guaranteed by the Guarantors pursuant to the Deed of Guarantee (including any applicable Guarantee Deed of Accession), subject to any limitations on such guarantee as may be required by law or regulation in order for such guarantee to be valid, lawful and enforceable under applicable law;

(viii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed of Substitution, the Notes, the Deed of Covenant and the Deed of Guarantee represent valid, legally binding and enforceable obligations of the Substitute and/or the Guarantors, as applicable, have been taken, fulfilled and done and are in full force and effect;

(ix) the Substitute shall have become party to the Fiscal Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;

(x) the Substitute (if incorporated in a jurisdiction other than England) shall have appointed an agent to receive, for and on its behalf, service of process in any Proceedings (as defined in Condition 18(d)) in England;

(xi) each stock exchange and/or listing authority on which the Notes are then listed and/or admitted to trading (as applicable) shall have confirmed that following the proposed substitution of the

Issuer with the Substitute, the Notes would continue to be listed and/or admitted to trading (as applicable) on such stock exchange;

(xii) the Substitute and the Guarantors (as the case may be) shall have received legal opinions from a leading securities lawyer or firm of lawyers in each of (i) the territory of incorporation of the Substitute and each Guarantor; and (ii) England, as to the fulfilment of Conditions 13(c)(vii) and 13(c)(viii) above, and copies of such legal opinions (and the Deed of Substitution) shall have been delivered to the Fiscal Agent for the purposes of inspection by any Noteholder upon request; and

(xiii) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to Noteholders, shall be available for inspection at the specified office of each of the Fiscal Agent, the Registrar and the Paying and Transfer Agents.

Immediately on and from any applicable Time of Substitution, any reference in these Conditions to the "Issuer" shall be construed as a reference to the relevant Substitute and references in Condition 10 to obligations under or in respect of the Notes shall be deemed to include obligations under the relevant Deed of Substitution.

14 Notices

Notices required to be given to the holders of Notes pursuant to these Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Notes pursuant to these Conditions shall also be given or published (if such publication is required) in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Notes are for the time being admitted to listing, trading and/or quotation. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

15 Currency Indemnity

US dollars is the sole currency of account and payment for all sums payable by the Issuer or the Guarantors under or in connection with the Notes, including damages. Any amount received or recovered in a currency other than US dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or any Guarantor or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Issuer or the Guarantors shall only constitute a discharge to the Issuer and the Guarantors to the extent of the US dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that US dollar amount is less than the US dollar amount expressed to be due to the recipient under any Note, the Issuer or the Guarantors (as the case may be) shall indemnify it against any loss sustained by it as a result. In any such event, the Issuer or the Guarantors (as the case may be) shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Noteholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a

liquidated amount in respect of any sum due under any Note or any other judgment or order made in connection with the Notes.

16 Further Issues

The Issuer may from time to time without the consent of the Noteholders create and issue further notes either having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition 16 and forming a single series with the Notes.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18 Governing Law and Dispute Resolution

(a) Governing Law

The Fiscal Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Notes, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

(b) Arbitration

Without limiting the rights of the Noteholders under Condition 18(d), any dispute, claim, difference or controversy arising out of, relating to, or having any connection with the Fiscal Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Notes (including any dispute regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "Dispute")) shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("LCIA") Rules (the "Rules"), which rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 18(b). For these purposes:

(i) there shall be three arbitrators, each of whom shall be an attorney experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court (as defined in the Rules);

(ii) the seat of arbitration shall be London, England; and

(iii) the language of the arbitration shall be English.

In any such arbitration, in the event of a declared public health emergency by either the World Health Organisation (the "WHO") or a national government, as a consequence of which it is inadvisable or

prohibited for the parties and/or their legal representatives to travel to, or attend any hearing ordered by the Tribunal (as defined in the Rules), the following shall apply:

(i) any such hearing shall be held via video or telephone conference upon the order of the Tribunal;

(ii) no objection shall be taken to the decision, order or award of the Tribunal following any such hearing on the basis that the hearing was held by video or telephone conference; and

(iii) in exceptional circumstances only, the Tribunal shall have the discretion to order that a hearing shall be held in person, but only after full and thorough consideration of the prevailing guidance of the WHO and any relevant travel or social distancing restrictions or guidelines affecting the parties and/or their legal representatives and the implementation of appropriate mitigation.

(c) Consolidation

Where disputes arise out of or in connection with the Fiscal Agency Agreement, the Deed of Covenant, the Deed of Guarantee and the Notes and out of or in connection with any Guarantee Deed of Accession, any FAA Deed of Accession and any Deed of Substitution which, in the absolute discretion of the first Tribunal to be appointed in any of the disputes, are sufficiently closely connected that it is expedient for them to be resolved in the same proceedings, that Tribunal shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes, provided that no date for the final hearing of the first arbitration has been fixed. If that Tribunal so orders, the parties to each dispute which is a subject of its order shall be treated as having consented to that dispute being finally decided:

(a) by the Tribunal that ordered the consolidation unless the LCIA decides that such Tribunal would not be suitable or impartial; and

(b) in accordance with the procedure, at the seat and in the language specified in the contract under which the Tribunal that ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of any such agreement, ordered by the Tribunal in the consolidated proceedings.

Any dispute which is subject to a contractual option to litigate shall only be capable of consolidation pursuant to this Condition 18(c) if:

(a) exercise of the option to which the dispute is subject is no longer permitted pursuant to the terms upon which the option was granted; or

(b) the right of the option-holder to exercise the option has otherwise been validly waived.

This Condition 18(c) shall apply even where powers to consolidate proceedings exist under any applicable arbitration rules (including those of an arbitral institution) and, in such circumstances, the provisions of this Condition 18(c) shall apply in addition to those powers.

(d) Jurisdiction

Notwithstanding Condition 18(b), each of the Noteholders may, in the alternative and at their sole discretion, by notice in writing to the Issuer and/or any Guarantor (a) within 28 days of receipt of a Request for Arbitration (as defined in the Rules); or (b) if no arbitration has already been commenced under Condition 18(b), require that a Dispute be heard by the courts of England.

If any of the Noteholders give such notice, the Dispute to which such notice refers shall be determined in accordance with this Condition 18(d) and any arbitration commenced under Condition 18(b) in respect

of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to litigate is given as contemplated by the first paragraph of this Condition 18(d) after receipt of any Request for Arbitration in respect of any Dispute, the relevant Noteholder(s) must also promptly give notice to the LCIA Court and to any Tribunal already appointed in relation to the Dispute that such Dispute will be settled by the courts.

If notice is delivered to the Issuer and/or the Guarantors in accordance with this Condition 18(d), the courts of England are to have jurisdiction to settle any such dispute and accordingly any legal action or proceedings arising out of or in connection with the Fiscal Agency Agreement, the Deed of Covenant, the Deed of Guarantee and/or the Notes ("Proceedings") may be brought in such courts.

Each of the Issuer and the Guarantors has, in the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee, irrevocably submitted to the jurisdiction of such courts and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum.

This Condition 18(d) is for the benefit of the Noteholders only. As a result, and notwithstanding any other provision in this Condition 18(d), the Noteholders may bring Proceedings in any other courts with jurisdiction. To the extent allowed by law, the Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) Agent for Service of Process

The Issuer and each Guarantor (except the Company and Hikma International Pharmaceuticals Limited) irrevocably appoints the Company of 1 New Burlington Place, London W1S 2HR, United Kingdom as its agent in England to receive service of process in any Proceedings in England based on any of the Notes or the Guarantee. If for any reason the Issuer or any Guarantor (except the Company and Hikma International Pharmaceuticals Limited) does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

19 Definitions and Interpretation

"Accounting Standards" means, with respect to a person, IFRS, or if such person does not prepare accounts in accordance with IFRS, such local accounting standards as are applied by such person in the ordinary course of its financial reporting;

"Additional Guarantor" and "Additional Guarantors" have the meaning given to such terms in Condition 5.4;

"Asset Acquisition" means (i) an Investment by the Issuer, a Guarantor or any Subsidiary of the Issuer or a Guarantor in any other person pursuant to which such person shall become a Subsidiary of the Issuer or a Guarantor or shall be consolidated or merged with the Issuer, a Guarantor or any Subsidiary of the Issuer or a Guarantor or (ii) the acquisition by the Issuer, a Guarantor or any Subsidiary of the Issuer or a Guarantor of assets of any person which constitute all or substantially all of the assets of such person or which comprise a division or line of business of such person;

"Average Life" means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing (a) the sum of the products of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness multiplied by the amount of such payment by (b) the sum of all such payments;

"Board of Directors" means, as to any person, the board of directors, management board or equivalent competent governing body of such person, or any duly authorised committee thereof;

"Business Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in US dollars;

"Capital Stock" means, with respect to any person, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting) equity of such person, including any preferred stock of such person, whether outstanding at the Issue Date or issued after the Issue Date, but excluding any debt securities convertible or exchangeable into such equity;

"Clean-up Call Date" has the meaning given to such term in Condition 7(d);

"Consolidated Core EBIT" means, for any Measurement Period, the consolidated operating profit on ordinary activities of the Group before taxation (excluding the results from discontinued operations):

(a) before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Group (calculated on a consolidated basis) in respect of such Measurement Period;

(b) not including any accrued interest owing to any other member of the Group;

(c) before taking into account any Exceptional Items;

(d) after deducting the amount of any profit (or adding back the amount of any loss) of the Group which is attributable to minority interests;

(e) after deducting the amount of any profit of any Non-Group Entity to the extent that the amount of the profit included in the financial statements of the Group exceeds the amount actually received in cash by members of the Group through distributions by such Non-Group Entities;

(f) before taking into account any unrealised gains or losses on any financial instruments (other than any derivative instrument which is accounted for on a hedge accounting basis);

(g) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset;

(h) before taking into account any Pension Items;

(i) excluding the charge to profit represented by the expensing of stock options; and

(j) adding back non-recurring transaction costs of any acquisition incurred on an arm's length basis with third parties,

(k) in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Group before taxation;

"Consolidated Core EBITDA" means, for any Measurement Period, the Consolidated Core EBIT of the Group for such Measurement Period after adding back any amount attributable to the amortisation, depreciation or impairment of assets of any member of the Group (and taking no account of the reversal of any previous impairment charge made in such Measurement Period);

"Consolidated Core EBITDA Test" have the meaning given to such terms in Condition 5.4;

"Consolidated Core Interest Expense" means, for any Measurement Period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments in

respect of all consolidated Indebtedness of the Group whether paid or payable by the relevant member of the Group (calculated on a consolidated basis) in respect of such Measurement Period:

(a) including any amortised upfront fees or costs;

(b) including the interest (but not the capital) element of payments in respect of Finance Leases;

(c) including any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) the relevant member of the Group under any interest rate hedging arrangement;

(d) taking no account of any unrealised gains or losses on any derivative instruments other than any derivative instruments which are accounted for on a hedge accounting basis; and

(e) before taking into account any Exceptional Items;

"Consolidated Coverage Ratio" means, at the date of the Incurrence of the Indebtedness giving rise to the need to calculate the Consolidated Coverage Ratio (or for the purposes of Condition 5.6 only, as at the date of certification pursuant to an Officer's Certificate), the ratio of (i) the Consolidated Core EBITDA for the most recently-ended Measurement Period to (ii) the Consolidated Core Interest Expense for the most recently-ended Measurement Period, after giving effect, as determined in good faith by a responsible financial or accounting officer of the Issuer or Guarantor, as the case may be, on a *pro forma* basis to:

(a) the Incurrence of any Indebtedness the permissibility of which is then being measured, the Incurrence or repayment of any other Indebtedness after the last day of such Measurement Period, and, in each case, the receipt and application of the proceeds therefrom; and

(b) the exclusion of Consolidated Core EBITDA and Consolidated Core Interest Expense associated with any disposal of assets or the inclusion of Consolidated Core EBITDA and Consolidated Core Interest Expense associated with any Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the Incurrence of Indebtedness) occurring on or after the first day of such Measurement Period as if any such disposal or Asset Acquisition occurred on the first day of such Measurement Period,

provided, however, that any *pro forma* Consolidated Core EBITDA and Consolidated Core Interest Expense under paragraph (b) above in respect of an Asset Acquisition may only be so included if such *pro forma* Consolidated Core EBITDA and Consolidated Core Interest Expense shall have been either derived from (i) financial statements of, or relating to or including, such acquired entity or assets, that have been prepared in accordance with Accounting Standards or (ii) such other financial statements, financial reports or other financial information relating to or including such acquired entity or assets that the chief financial officer (or equivalent) of the Issuer, the Company or relevant Guarantor, as the case may be, believes in good faith to present fairly the financial position and results of operations of the acquired entity or assets so as to permit such a *pro forma* Consolidated Core EBITDA and Consolidated Core Interest Expense to be prepared on the basis of reasonable assumptions and estimates;

"Event of Default" has the meaning given to such term in Condition 10;

"Exceptional Items" means any exceptional, one off, non-recurring or extraordinary items which represent gains or losses including those arising on:

(a) the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring;

(b) disposals, revaluations or impairment of non-current assets;

(c) disposals of assets associated with discontinued operations; and

(d) any other examples of "exceptional items";

"FAA Deed of Accession" means a deed of accession to the Fiscal Agency Agreement substantially in the form set out in Schedule 7 (*Form of FAA Deed of Accession*) to the Fiscal Agency Agreement;

"Finance Lease" means liability in respect of any lease or hire purchase contract which would, in accordance with IFRS, be treated as a balance sheet liability (other than any liability in respect of a lease or hire purchase contract which would, in accordance with IFRS in force immediately before the adoption of IFRS 16 (*Leases*), have been treated as an operating lease);

"Fitch" means Fitch Ratings Ltd;

"Group" means the Company and its Subsidiaries;

"Guarantee Deed of Accession" means a deed of accession to the Deed of Guarantee and the Deed of Covenant substantially in the form set out in the Schedule (*Form of Guarantee Deed of Accession*) to the Deed of Guarantee;

"Hedging Obligation" means, with respect to any person, any obligation of such person under any agreements or arrangements designed to manage or protect such person against fluctuations in currency exchange, interest rates or commodity prices, and in each case, entered into in the ordinary course of business and for non-speculative purposes only;

"IFRS" means: (i) (in respect of accounting periods ending on or before 31 December 2020) international financial reporting standards published by the International Accounting Standards Board or any successor board or agency and as adopted by the European Union as in effect from time to time ("EU IFRS"); and (ii) (in respect of accounting periods commencing on or after 1 January 2021) either EU IFRS or such other generally accepted accounting principles customarily adopted by companies incorporated in England;

"Incur", or any derivative thereof (including "Incurrence"), means issue, assume, guarantee, create, incur or otherwise become liable for; provided, however, that any Indebtedness or Capital Stock of a person existing at the time such person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary will be deemed to be Incurred by such Subsidiary at the time it becomes or is so merged into a Subsidiary;

"Indebtedness" means, at any time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of any indebtedness of any person for or in respect of:

(a) moneys borrowed and debit balances at banks or other financial institutions;

(b) any acceptances under any acceptance credit facility or bill discount facility (or dematerialised equivalent);

(c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) any Finance Lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis and meet any requirements for de-recognition under Accounting Standards);

(f) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution by way of support for borrowings under paragraphs (a) – (e) and (g) – (i) of this definition;

(g) any amount raised by the issue of shares which are redeemable (other than at the option of such person) prior to the Maturity Date or are otherwise classified as borrowings under Accounting Standards;

(h) the amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind the entry into such agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 180 days after the date of supply;

(i) any amount raised under any other transaction (including any forward sale or purchase agreement, sale and sale back arrangement or sale and leaseback arrangement) having the commercial effect of a borrowing or otherwise classified as borrowings under Accounting Standards;

(j) any Hedging Obligation; and

(k) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above,

provided that, for the avoidance of doubt, Indebtedness:

(a) shall not include indebtedness owed by one member of the Group to another member of the Group; and

(b) shall include, in the case of Finance Leases only, their capitalised value, and so that no amount shall be included or excluded more than once;

"Investment" means, with respect to any person, any direct or indirect advance (other than advances to customers in the ordinary course of business), loan or other extension of credit to (including by way of a guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such person and all other items that would be classified as investments on a balance sheet prepared in accordance with Accounting Standards;

"Investment Grade Rating" means a rating equal to or higher than: (i) Baa3 (or the equivalent) by Moody's; (ii) BBB- (or the equivalent) by S&P; or (iii) BBB- (or the equivalent) by Fitch or in each case the equivalent thereof from any other Rating Agency (as applicable);

"Investment Grade Status" means that the Company has an Investment Grade Rating from at least two Rating Agencies;

"Issue Date" means 9 July 2020;

"Joint Venture" means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity;

"Make Whole Amount" means, with respect to any Note on the Optional Redemption Date, the excess of: (a) the sum of the present values as at the Optional Redemption Date of: (i) the principal amount of such Note, and (ii) the total amount of interest that would otherwise accrue and be payable on such Note from and including the Optional Redemption Date to but excluding the Maturity Date, in each case calculated using a discount rate equal to the Treasury Rate as at the Optional Redemption Date plus 50 basis points; over (b) the principal amount of the Note on the Optional Redemption Date, all as calculated by the Issuer in consultation (where practicable) with a Reference Treasury Dealer appointed by it for this purpose;

"Material Subsidiary" means each Guarantor and at any relevant time a Subsidiary of the Company:

(a) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or gross consolidated revenues, as the case may be) represent not less than 10 per cent. of the total consolidated assets or the gross consolidated revenues of Group, all as calculated by reference to the most recent available audited accounts or consolidated accounts, as the case may be (in each case, produced on the basis of the Accounting Standards, consistently applied)

of such Subsidiary and the then most recent available audited consolidated accounts of the Group, produced on the basis of the Accounting Standards, consistently applied; or

(b) to which is transferred all or substantially all of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary;

"Maturity Date" has the meaning given to such term in Condition 7(a);

"Measurement Period" means each 12-month period (comprising two consecutive financial half-years of the Group) ending on 30 June or, as the case may be, 31 December in each year for which audited or reviewed, published consolidated financial statements of the Group, prepared in accordance with Accounting Standards, are available. For the avoidance of doubt, in respect of the sequencing of successive Measurement Periods, (a) the Measurement Period immediately succeeding a Measurement Period ending on 30 June in any year shall be the Measurement Period ending on 31 December in the same year, (b) the Measurement Period immediately succeeding a Measurement Period ending on 31 December in any year shall be the Measurement Period ending on 30 June in the following year, and (c) references in these Conditions to preceding or prior Measurement Periods shall be construed accordingly;

"Moody's" means Moody's Investors Service Ltd.;

"Non-Group Entity" means any investment or entity (which is not itself a member of the Group (including associates and Joint Ventures)) in which any member of the Group has an ownership interest;

"Officer's Certificate" means a certificate signed by a duly authorised officer of the Company delivered pursuant to Condition 5.6;

"Optional Redemption Amount" means, in relation to each Note, the sum of:

(a) the outstanding principal amount of such Note;

(b) any accrued and unpaid interest on such Notes to (but excluding) the relevant Optional Redemption Date; and

(c) the Make Whole Amount;

"Pension Items" means any income or charge attributable to a post-employment benefit scheme other than the current service costs and any past service costs and curtailments and settlements attributable to the scheme;

"Permitted Indebtedness" means any one or more of the following:

(a) any Indebtedness outstanding on the Issue Date;

(b) intercompany Indebtedness owed by any member of the Group to any other member of the Group; provided, however, that any subsequent disposition, pledge or transfer of such Indebtedness (other than to any member of the Group) shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereof;

(c) Indebtedness of a member of the Group Incurred and outstanding on or prior to the date on which such member became a member of the Group (other than any Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which such member became a member of the Group);

(d) Refinancing Indebtedness Incurred by any member of the Group in respect of Indebtedness Incurred by such member of the Group pursuant to Condition 5.2 or pursuant to paragraphs (a), (c), (d) or (m) of this definition;

(e) any amounts owed to suppliers, licensees, product developers and/or co-developers, distributors, contractors, sub-contractors and/or project consultants in respect of goods supplied and/or services provided, in each case in the ordinary course of business;

(f) any Indebtedness arising for or in respect of performance bonds, completion guarantees, bank guarantees, bid and surety bonds, letters of credit, bankers' acceptances, self-insurance obligations, statutory, appeal, completion, export or import indemnities, customs, revenue bonds or similar instruments, including guarantees or obligations with respect thereto where such Indebtedness is incurred by any member of the Group in the ordinary course of business (and provided that such Indebtedness shall not be Permitted Indebtedness if such performance bonds, completion guarantees, bank guarantees, bid and surety bonds, letters of credit, bankers' acceptances, self-insurance obligations, statutory, appeal, completion, export or import indemnities, customs, revenue bonds or similar instruments are drawn or called upon and such drawing or calling is not reimbursed or otherwise satisfied within 10 Business Days thereafter);

(g) any Indebtedness arising for or in respect of working capital facilities which are fully cash collateralised and which are Incurred by any member of the Group in the ordinary course of business;

(h) Indebtedness arising in the form of deferred payment obligations of any member of the Group in respect of the acquisition of any business, assets or Capital Stock;

(i) Indebtedness in respect of workers' compensation claims, health, disability or other employee benefits or claims arising under similar legislation, or pursuant to self-insurance obligations or similar arrangements and not in connection with the borrowing of money or the obtaining of advances or credit;

(j) customer deposits and advance payments received from customers in the ordinary course of business;

(k) Indebtedness Incurred pursuant to any Hedging Obligation;

(l) Indebtedness arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument including, but not limited to, electronic transfers, wire transfers, netting services and commercial card payments, inadvertently drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of its Incurrence;

(m) Indebtedness represented by the Notes (which for the avoidance of doubt, shall not include any further notes which may be issued pursuant to Condition 16) to be issued on the Issue Date and the incurrence by any Guarantor of payment obligations which may arise under the Guarantee at any time; and

(n) Indebtedness representing indemnification, adjustment for purchase price, earnout or similar obligations relating to the acquisition of any business or assets of any disposition of any business or assets;

"Permitted Security Interest" means (i) any Security Interest securing any Relevant Indebtedness (or any guarantee or indemnity in respect of any Relevant Indebtedness) granted by a person where such Security Interest exists at the time that such person is merged into, or consolidated with, or acquired by, the Issuer, any Guarantor or any Subsidiary of the Issuer or any Guarantor, provided that such Security Interest was not created in contemplation of such merger, consolidation or acquisition and (ii) any renewal of or substitution for any Security Interest permitted by paragraph (i) above so long as the principal of the Relevant Indebtedness, guarantee or indemnity (as the case may be) secured by such Security Interest has not increased and the Security Interest does not extend to any additional property or assets (other than the proceeds of such property or assets);

"person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or other entity;

"Potential Event of Default" means an event or circumstance which could with the giving of notice, the lapse of time, the issue of a certificate and/or the fulfilment of any other requirement provided for in Condition 10 become an Event of Default;

"Rating Agency" means each of Fitch, Moody's and S&P or any of their respective affiliates or successors or any other statistical rating organisation approved in writing by an Extraordinary Resolution of Noteholders;

"Reference Treasury Dealer" means a bank selected by the Issuer (and including such bank's affiliates and successors) which is: (i) a primary US Treasury securities dealer, or (ii) a market maker in pricing corporate bond issues denominated in US dollars;

"Refinance" means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. "Refinances", "Refinanced" and "Refinancing" shall have correlative meanings;

"Refinancing Indebtedness" means Indebtedness Incurred to Refinance any Indebtedness of any member of the Group existing on the Issue Date or Incurred in compliance with these Conditions, including Indebtedness that Refinances Refinancing Indebtedness; provided, however, that:

(a) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced, or earlier provided that the Stated Maturity is later than the Maturity Date;

(b) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness that is being Refinanced, or less, provided that the Average Life is greater than the Average Life of the Notes;

(c) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; and

(d) if the Indebtedness being Refinanced is subordinated in right of payment to the Notes or Guarantee, such Refinancing Indebtedness is subordinated in right of payment to the Notes or Guarantee at least to the same extent as the Indebtedness being Refinanced;

"Related Business" means any of the following: (i) any business in which the Group was engaged on the Issue Date; (ii) any businesses related, ancillary or complementary to any such business (which shall include, for the avoidance of doubt, pharmaceuticals and healthcare); and (iii) any other business which is not material in the context of the Group as a whole and does not affect the ability of the Issuer or any Guarantor to comply with its obligations under the Notes and the Guarantee;

"Relevant Indebtedness" means any indebtedness which is in the form of, or represented or evidenced by, bonds, certificates, debentures, loan stock or other securities which for the time being are, or are intended to be, or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or on any other securities market;

"Securities Act" means the United States Securities Act of 1933, as amended;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest securing any obligation of any person (including without limitation, any other agreement or arrangement having similar effect);

"Stated Maturity" means, with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the final payment of principal of such Indebtedness is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase or redemption of

such Indebtedness at the option of the holder or lender thereof upon the occurrence of any contingency unless such contingency has occurred);

"S&P" means S&P Global Ratings Europe Limited;

"Subsidiary" of any specified person means any corporation, partnership, joint venture, association or other business or entity, whether now existing or hereafter organised or acquired:

(a) in the case of a corporation, of which more than 50 per cent. of the total voting power of the Voting Stock is held by such first-named person and/or any of its Subsidiaries and such first-named person or any of its Subsidiaries has the power to direct the management, policies and affairs thereof at the time such Voting Stock is held by such first named person and or any of its Subsidiaries; or

(b) in the case of a partnership, joint venture, association, or other business or entity, with respect to which such first-named person or any of its Subsidiaries has the power to direct or cause the direction of the management and policies of such entity by contract or otherwise,

if (in each case in (a) and (b)) in accordance with Accounting Standards, as consistently applied, such entity would be consolidated with the first-named person for financial statement purposes;

"Total Assets" means the total assets of the Group as shown in the then most recent audited or reviewed published consolidated financial statements of the Group prepared in accordance with Accounting Standards;

"Treasury Rate" means, as at the Optional Redemption Date, the rate per annum equal to the yield to maturity of United States Treasury securities with a constant maturity most closely corresponding to the period from the Optional Redemption Date to the Maturity Date (such yield to maturity to be obtained by or on behalf of the Issuer from information compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) (or any successor publication that is published by the Board of Governors of the Federal Reserve System) that has become publicly available at least two Business Days prior to the Optional Redemption Date (or, if such statistical release is no longer published or available, any publicly available source of similar market data)); provided that if the period from the Optional Redemption Date to the Maturity Date is not equal to the constant maturity of a United States Treasury security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury securities for which such yields are given, except that if the period from the Optional Redemption Date to the Maturity Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; and

"Voting Stock" of a person means all classes of Capital Stock of such person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of the Board of Directors, managers or trustees (or persons performing similar functions) thereof.

FORM OF THE NOTES

1 Form of the Notes

All Notes will be in fully registered form, without interest coupons attached. The Notes will be represented by interests in the Global Certificate, in fully registered form, without interest coupons attached, which will be deposited on or about the Issue Date with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of Citivic Nominees Limited, as nominee for such common depositary in respect of interests held through Euroclear and Clearstream, Luxembourg.

2 Notices

So long as any of the Notes are represented by the Global Certificate, notices required to be published in accordance with Condition 14 may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the relevant accountholders, provided: (i) that such notice is also delivered to the London Stock Exchange; and (ii) so long as the Notes are admitted to trading on the ISM and the rules of the London Stock Exchange so require, publication will also be made in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times).

3 Exchange of Interests in the Global Certificate for Definitive Certificates

The Global Certificate may be exchanged, free of charge to the holder, in whole but not in part, for Note certificates in definitive form ("Definitive Certificates") if (a) Euroclear or Clearstream, Luxembourg (or any other clearing system as shall have been designated by the Issuer on behalf of which the Notes evidenced by a Global Certificate may be held) is closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (b) principal in respect of any Notes is not paid when it is due and payable. In such circumstances, such Definitive Certificates will be registered in such names as Euroclear and Clearstream, Luxembourg shall direct in writing and the Issuer or the Guarantors will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (a) and (b).

In the event that the Global Certificate is to be exchanged for Definitive Certificates the Global Certificate shall be exchanged in full for the Definitive Certificates and the Issuer or the Guarantors will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange, cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the Noteholders.

On exchange, a person having an interest in a Global Certificate must provide the Registrar with a written order containing instructions and such other information as the Issuer, the Guarantors and the Registrar may require to complete, execute and deliver such Definitive Certificates.

The holder of a Note may transfer such Note only in accordance with the provisions of Condition 2 of the Notes.

The Registrar will not register the transfer of any Notes or exchange of interests in the Global Certificate for Definitive Certificates (i) during the period of 15 days ending on (and including) the due date for redemption of such Notes, (ii) after any such Note has been called for redemption, or (iii) during the period of seven days ending on (and including) any Record Date.

4 Euroclear and Clearstream, Luxembourg Arrangements

So long as Euroclear, Clearstream, Luxembourg or the nominee of their common depositary is the registered holder of a Global Certificate, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Certificate for all purposes under the Fiscal Agency Agreement, the Deed of Covenant and the Notes. Payments of principal, interest and any additional amounts, if any, in respect of the Global Certificate will be made to Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, any Guarantor, any Fiscal Agent or the Joint Lead Managers or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

The holdings of book-entry interests in the Notes in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the account of Citivic Nominees Limited to reflect the amounts of Notes held through Euroclear and Clearstream, Luxembourg. Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

Interests in the Global Certificate will be in uncertificated book-entry form.

Trading between Euroclear and/or Clearstream, Luxembourg Account Holders. Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional eurobonds.

Although the foregoing sets out the procedures of Euroclear and Clearstream, Luxembourg in order to facilitate the transfers of interests in the Notes among participants of Euroclear and Clearstream, Luxembourg, none of Euroclear or Clearstream, Luxembourg is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, any Guarantor, the Fiscal Agent or any of the Joint Lead Managers or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by Euroclear and Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

5 Payments

All payments in respect of Notes represented by the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

6 Meetings

For the purposes of any meeting of Noteholders, the holder of the Global Certificate shall (unless the Global Certificate represents only one Note) be treated as two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and, at any such meeting, as having one vote in respect of each US$1,000 in aggregate principal amount of the Notes.

7 Cancellation

Cancellation of any Note required by the Conditions to be cancelled will be effected by the Registrar making a notation of such cancellation in the Register, and by a corresponding reduction in the principal amount of Notes represented by the Global Certificate.

8 Events of Default

The Global Certificate provides that the holder of the Notes represented by it may cause some or all of the Notes represented by it to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the principal amount of Notes to which such notice relates.

If principal in respect of any Notes is not paid when due by the Issuer to the holder of the Global Certificate, any holder of Notes represented by such Global Certificate may (subject as provided below) from time to time elect that Direct Rights under the provisions of (and as defined in) the Deed of Covenant executed as a deed by the Issuer and the Guarantors on 9 July 2020 (a copy of which is available for inspection at the specified office of the Fiscal Agent and which the Issuer and the Guarantors acknowledge to apply to the Notes represented by such Global Certificate) shall come into effect in respect of a principal amount of the Notes up to the aggregate principal amount in respect of which such failure to pay has occurred. Such election shall be made by notice to the Fiscal Agent by any such holder of the Notes specifying the principal amount of Notes represented by the Global Certificate in respect of which Direct Rights shall arise under the Deed of Covenant. Upon each such notice being given, the Global Certificate and the corresponding entry in the Register shall become void to the extent of the principal amount stated in such notice, save to the extent that the appropriate Direct Rights fail to take effect, for whatever reason.

9 Put Option

The Noteholders' put option in Condition 7(f) of the Notes may be exercised by the holder of the Global Certificate giving notice to the Registrar or the Paying and Transfer Agent of the principal amount of Notes in respect of which the option is exercised and presenting the Global Certificate within the time limits specified in Condition 7(f).

FORM OF GUARANTEE

This Deed of Guarantee (this "Deed") is made on 9 July 2020 by Al Jazeerah Pharmaceutical Industries Ltd, Arab Pharmaceutical Manufacturing PSC, Eurohealth (U.S.A.), Inc., Hikma Farmacêutica (Portugal) S.A., Hikma Injectables USA Inc., Hikma Labs Inc., Hikma Pharma S.A.E., Hikma Pharmaceuticals International Limited, Hikma Pharmaceuticals LLC, Hikma Pharmaceuticals PLC, Hikma Pharmaceuticals USA Inc., Hikma Specialty USA Inc. and West-Ward Columbus Inc. (together, the "Initial Guarantors" and each an "Initial Guarantor") in favour of the Holders and the Relevant Account Holders.

Whereas:

(A) Hikma Finance USA LLC (the "Issuer") proposes to issue U.S.$500,000,000 principal amount of Notes to be known as its 3.250 per cent. Guaranteed Notes due 2025 which will be guaranteed by the Guarantors (the "Notes", which expression shall, if the context so admits, include the Global Certificate (as defined below) to be delivered in respect of the Notes) pursuant to a fiscal agency agreement, as amended or supplemented from time to time dated 9 July 2020 between, among others, the Issuer, the Guarantors and Citibank, N.A., London Branch as Fiscal Agent (the "Fiscal Agent") (the "Fiscal Agency Agreement").

(B) The Notes will be offered and sold outside the United States in accordance with Regulation S under the United States Securities Act of 1933, as amended. The Notes will be initially represented a Global Certificate. The Global Certificate will be exchangeable for Individual Certificates (as defined in the Fiscal Agency Agreement) in the circumstances specified in the Fiscal Agency Agreement.

(C) The Issuer and the Guarantors have, in relation to the Notes, entered into a deed of covenant dated 9 July 2020 (as amended and supplemented from time to time, the "Deed of Covenant").

(D) The Guarantors have agreed to jointly and severally guarantee the payment of all sums expressed to be payable from time to time by the Issuer in respect of the Notes to the holders of any Notes (the "Holders") and under the Deed of Covenant to the Relevant Account Holders.

This Deed witnesses as follows:

1 Interpretation

1.1 **Defined Terms:** In this Deed, unless otherwise defined herein, capitalised terms shall have the same meaning given to them in the Deed of Covenant and the Conditions (as defined in the Deed of Covenant) except where the context otherwise requires and except that, for the purposes of this Deed:

"**Additional Guarantors**" shall have the meaning in the Conditions;

"**Company**" means Hikma Pharmaceuticals PLC;

"**Deeds of Accession**" means the Guarantee Deed of Accession and the FAA Deed of Accession;

"**FAA Deed of Accession**" means a deed of accession to the Fiscal Agency Agreement substantially in the form set out in Schedule 7 (*Form of FAA Deed of Accession*) to the Fiscal Agency Agreement;

"**Global Certificate**" means a Certificate substantially in the form set out in Part 1 (*Form of Global Certificate*) of Schedule 1 (*Form of Notes*) of the Fiscal Agency Agreement representing Notes that are registered in the name of a nominee for Euroclear, Clearstream, Luxembourg and/or any other clearing system;

"**Guarantee Deed of Accession**" means a deed of accession to this Deed and the Deed of Covenant substantially in the form set out in the Schedule (*Form of Guarantee Deed of Accession*) to this Deed;

"**Guarantors**" means each of the Initial Guarantors and, to the extent that they have executed and delivered the Deeds of Accession, each of the Additional Guarantors, if any, but excluding any Initial Guarantor or Additional Guarantor that is released (and then, where applicable, only in respect of the period(s) during which such Initial Guarantor or Additional Guarantor is released) from its obligations under this Deed, the Deed of Covenant and the Fiscal Agency Agreement pursuant to Condition 5.4.4 (and "Guarantor" shall mean any of the foregoing); and

"**Suspension Period**" means, for so long as the Notes remain outstanding, the period (if any) during which the Company has Investment Grade Status (as defined in the Conditions).

1.2 **Headings:** Headings shall be ignored in construing this Deed.

1.3 **Contracts:** References in this Deed to this Deed or any other document are to this Deed or such documents as amended, supplemented or replaced from time to time and includes any document that amends, supplements or replaces them.

1.4 **Issuer**: References in this Deed to the Issuer are to the Issuer and any Substitute (as defined in the Conditions) as may, from time to time, replace the Issuer as principal debtor under the Notes pursuant to and in accordance with Condition 13(c).

2 Guarantee and Indemnity

2.1 **Guarantee:** The Guarantors unconditionally, irrevocably and jointly and severally guarantee that if the Issuer does not pay any sum payable by it under the Deed of Covenant or the Notes by the time and on the date specified for such payment (whether on the normal due date, on acceleration or otherwise), the Guarantors shall pay that sum to each Holder and each Relevant Account Holder before close of business on that date in the city to which payment is so to be made. All payments under this Deed by the Guarantors shall be made subject to the Conditions.

2.2 **Guarantor as Principal Debtor:** As between the Guarantors, the Holders and the Relevant Account Holders but without affecting the Issuer's obligations, the Guarantors shall be liable under this Deed as if each Guarantor were the sole principal debtor and not merely a surety. Accordingly, each Guarantor's obligations shall not be discharged, nor shall its liability be affected, by anything that would not discharge it or affect its liability if it were the sole principal debtor, including (1) any time, indulgence, waiver or consent at any time given to the Issuer or any other person, (2) any amendment to any other provisions of this Deed or to the Conditions or to any security or other guarantee or indemnity, (3) the making or absence of any demand on the Issuer or any other person for payment, (4) the enforcement or absence of enforcement of this Deed, the Notes, the Deed of Covenant or of any security or other guarantee or indemnity, (5) the taking, existence or release of any security, guarantee or indemnity, (6) the dissolution, amalgamation, reconstruction or reorganisation of the Issuer or any other person or (7) the illegality, invalidity or unenforceability of or any defect in any provision of this Deed, the Notes, the Deed of Covenant or any of the Issuer's obligations under any of them.

2.3 Limitation of liability:

(c) the liability of Eurohealth (U.S.A.), Inc., Hikma Labs Inc., Hikma Injectables USA Inc., Hikma Pharmaceuticals USA Inc. and West-Ward Columbus Inc. (each, a "U.S. Guarantor") under this Deed is limited to the maximum amount equal to the greatest amount that would not render any U.S. Guarantor's obligations hereunder subject to avoidance as a fraudulent transfer or conveyance under Section 548 of the United States Bankruptcy Code; and

(d) the liability of Al Jazeerah Pharmaceutical Industries Ltd (the "Saudi Guarantor") under this Deed is limited to U.S.$726,562,500.

2.4 **Guarantor's Obligations Continuing:** Each Guarantor's obligations under this Deed are and shall remain in full force and effect by way of continuing security until no sum remains payable under the Notes, the Deed of Covenant or this Deed. Furthermore, those obligations of the Guarantors are additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from any one or more Guarantors or otherwise and may be enforced without first having recourse to the Issuer, any other person, any security or any other guarantee or indemnity. Each Guarantor irrevocably waives all notices and demands of any kind.

2.5 **Exercise of Guarantor's Rights:** So long as any sum remains payable under the Notes, the Deed of Covenant or this Deed, no Guarantor shall exercise or enforce any right, by reason of the performance of any of its obligations under this Deed, to be indemnified by the Issuer or to take the benefit of or enforce any security or other guarantee or indemnity.

2.6 **Avoidance of Payments:** The Guarantors shall on demand jointly and severally indemnify the relevant Holder or Relevant Account Holder, on an after tax basis, against any cost, loss, expense or liability sustained or incurred by it as a result of it being required for any reason (including any bankruptcy, insolvency, winding-up, dissolution or similar law of any jurisdiction) to refund all or part of any amount received or recovered by it in respect of any sum payable by the Issuer under the Notes or the Deed of Covenant and shall in any event pay to it on demand the amount as refunded by it.

2.7 **Indemnity:** As separate, independent and alternative stipulations, each Guarantor unconditionally and irrevocably agrees: (1) that any sum that, although expressed to be payable by the Issuer under the Notes, the Deed of Covenant or this Deed, is for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer, any Guarantor, a Holder or a Relevant Account Holder) not recoverable from a Guarantor on the basis of a guarantee shall nevertheless be recoverable from it as if it were the sole principal debtor and shall be paid by it to the Holder or Relevant Account Holder (as the case may be) on demand; and (2) as a primary obligation to indemnify each Holder and Relevant Account Holder against any loss suffered by it as a result of any sum expressed to be payable by the Issuer under the Notes, the Deed of Covenant or this Deed not being paid on the date and otherwise in the manner specified in this Deed or in the Conditions or any payment obligation of the Issuer under the Notes, the Deed of Covenant or this Deed being or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not now known or becoming known to a Holder or a Relevant Account Holder), the amount of that loss being the amount expressed to be payable by the Issuer in respect of the relevant sum.

2.8 **Incorporation of Terms:** Each Guarantor agrees that it will comply with and be bound by all such provisions contained in the Conditions which relate to it.

2.9 **Additional Guarantor(s)**: Each of the Guarantors acknowledges and agrees that one or more Additional Guarantors may, or may be required to, accede to this Deed and the Deed of Covenant, as provided in Condition 5.4. No such accession will be effective until the relevant Additional Guarantor has (i) duly executed the Deeds of Accession, pursuant to which such Additional Guarantor agrees to be bound by the provisions of this Deed, the Deed of Covenant and the Fiscal Agency Agreement (as applicable) as fully as if such Additional Guarantor had been named as an Initial Guarantor, (ii) received an opinion of counsel of international standing stating that the Deeds of Accession, this Deed, the Deed of Covenant and the Fiscal Agency Agreement constitute legal, valid and binding obligations of the Additional Guarantor, enforceable in accordance with their respective terms, subject to customary exceptions,

qualifications and limitations and (iii) delivered copies of such documents and opinion to the Fiscal Agent for the purposes of inspection by any Holder and/or Relevant Account Holder upon request.

Each Guarantor shall be deemed to have consented to the accession of such Additional Guarantor as aforesaid, which Additional Guarantor shall be deemed to be jointly and severally liable with the other Guarantors by virtue of the entering into by such Additional Guarantor of the documents set out in this Clause 2.9 without the necessity of the Issuer or any Guarantor to concur in or consent to or take any other action in connection with any of the foregoing.

2.10 **Release of Guarantor(s):** If any Guarantor (other than the Company) ceases to be a Guarantor under the Notes pursuant to Condition 5.4.4, such Guarantor will automatically be released from all of its future obligations under this Deed and this Deed will be deemed amended to reflect such release. Such release and amendments shall occur:

(e) in the case of Condition 5.4.4(a), on the date of completion of the sale, exchange, transfer or other disposal referred to therein;

(f) in the case of Condition 5.4.4(b), on the date of the Officer's Certificate delivered after the end of the relevant Measurement Period pursuant to Condition 5.6; and

(g) in the case of Condition 5.4.4(c), on the date of completion of the transfer or vesting referred to therein.

This Clause 2.10 is without prejudice to any obligations under this Deed which the relevant Guarantor may have accrued prior to the date of such release and (where applicable) to any future obligations of such Guarantor under this Deed and any applicable Guarantee Deed of Accession should it be reinstated as a Guarantor from time to time.

2.11 **Partial Suspension of Guarantee**: During any Suspension Period, without prejudice to any obligations under this Deed which may have accrued prior to such Suspension Period, none of the Guarantors (except for the Company) shall be bound by or have any obligations under this Deed. If the Company subsequently ceases to have Investment Grade Status such that the Suspension Period terminates (such termination date being the "Reinstatement Date"), the terms of this Deed shall be immediately reinstated as against such Guarantors. Accordingly, with effect on and from the Reinstatement Date, this Deed shall again immediately apply to the Guarantors which had been bound by this Deed immediately prior to the relevant Suspension Period (but without prejudice to any subsequent operation of Clause 2.9, Clause 2.10 and/or this Clause 2.11).

3 Payments

3.1 **Payments Free of Taxes:** All payments by the Guarantors under this Deed shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Tax Jurisdiction or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Guarantors shall pay such additional amounts as will result in the receipt by the Holders and Relevant Account Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

(a) **Other connection:** to, or to a third party on behalf of, a Holder or Relevant Account Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of the Note; or

(b) **Demand for payment more than 30 days after the Relevant Date:** in respect of any demand for payment made more than 30 days after the Relevant Date except to the extent that the Holder or Relevant Account Holder would have been entitled to such additional amounts on making such demand on the last day of such period of 30 days assuming that day to have been a business day (as defined in Condition 8); or

(c) **FATCA:** where such withholding or deduction is imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), including pursuant to an agreement described in Section 1471(b)(1) of the Code, under any intergovernmental agreement implementing such provisions of the Code or any laws implementing any of the foregoing; or

(d) U.S. Taxes:

where such withholding or deduction is required:

(iv) for or on account of any such tax, duty, assessment or governmental charge that is imposed on a Holder or Relevant Account Holder that (A) actually or constructively owns 10 per cent. or more of the total combined voting power of all classes of stock of the Issuer entitled to vote within the meaning of Section 871(h)(3) of the Code, (B) is a controlled foreign corporation that is related directly or indirectly to the Issuer through stock ownership within the meaning of Section 864(d)(4) of the Code, or (C) is a bank that is treated as receiving amounts paid on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code; or

(v) for or on account of any tax, duty, assessment or other governmental charge imposed in whole or in part by reason of the past or present status of a Holder or Relevant Account Holder as a corporation that accumulates earnings to avoid U.S. federal income tax or as a private foundation, a foreign private foundation or other tax-exempt organisation; or

(vi) for or on account of any tax, duty, assessment or other governmental charge that would not have been imposed but for a failure to comply with applicable certification, documentation, identification, information or other reporting requirement concerning the nationality, residence, identity or connection with the United States of the Holder or Relevant Account Holder if such compliance is required by a statute or regulation of the United States or by a tax treaty of the United States, as a precondition to relief or exemption from such tax, assessment or other government charge.

Defined terms used in this Clause 3.1 shall have the meanings given to them in the Conditions. For the avoidance of doubt, any withholding or deduction which is imposed under the Code, including pursuant to an agreement described in Section 1471(b)(1) of the Code, under any intergovernmental agreement implementing such provisions of the Code or under any laws implementing any of the foregoing shall be treated as required by law for the purposes of this Clause 3.1.

3.2 **Stamp Duties:** The Guarantors jointly and severally covenant to and agree with the Holders and Relevant Account Holders that they shall pay promptly, and in any event before any penalty becomes payable, any stamp, documentary, registration or similar duty or tax payable in any Tax Jurisdiction, as the case may be, or in the country of any currency in which amounts may be payable in respect of the Notes or any political subdivision or taxing authority thereof or therein in connection with the entry into, performance, enforcement or admissibility in evidence of this Deed and/or any amendment of, supplement to or waiver in respect of this Deed, and shall indemnify each of the Holders and Relevant

Account Holders, on an after tax basis, against any liability with respect to or resulting from any delay in paying or omission to pay any such tax.

4 Amendment and Termination

No Guarantor may amend, vary, terminate or suspend this Deed or its obligations hereunder unless such amendment, variation, termination or suspension shall have been approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) to which the special quorum provisions specified in Schedule 3 (*Provisions for Meetings of Noteholders*) to the Fiscal Agency Agreement apply, save that nothing in this Clause shall prevent any Guarantor from increasing or extending its obligations hereunder by way of supplement to this Deed at any time.

5 General

5.1 **Benefit:** This Deed shall enure for the benefit of the Holders and the Relevant Account Holders.

5.2 **Deposit of Guarantee:** The Guarantors shall deposit this Deed with the Fiscal Agent, to be held by the Fiscal Agent until all the obligations of the Guarantors have been discharged in full. Each Guarantor acknowledges the right of each Holder and each Relevant Account Holder to the production of, and to obtain a copy of, this Deed.

6 Communications:

6.1 **Notices:** Any communication shall be by letter, fax or electronic communications:

If to the Guarantors, to each of them:

c/o Hikma Pharmaceuticals PLC
1 New Burlington Place
Mayfair
London W1S 2HR

Tel no.: +44 20 7399 2785
Email: GeneralCounsel@hikma.com
Attention: General Counsel

or any other address of which written notice has been given to the Relevant Account Holders and Holders in accordance with Condition 14. Such communications will take effect, in the case of a letter, when delivered, in the case of a fax, when the relevant delivery receipt is received by the sender or, in the case of an electronic communication, when the relevant receipt of such communication being read is given, or where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) after 5:00 pm on a business day or on a non-business day in the place of receipt shall be deemed to take effect at the opening of business on the next following business day in such place. Any communication delivered to any party under this Deed which is to be sent by fax or electronic communication will be written legal evidence.

7 Currency Indemnity

If, under any applicable law and whether pursuant to a judgment being made or registered against any Guarantor or in the liquidation, insolvency or analogous process of any Guarantor or for any other reason, any payment

under or in connection with this Deed is made or falls to be satisfied in a currency (the "other currency") other than that in which the relevant payment is expressed to be due (the "required currency") under this Deed, then, to the extent that the payment (when converted into the required currency at the rate of exchange on the date of payment or, if it is not practicable for any Holder or Relevant Account Holder to purchase the required currency with the other currency on the date of payment, at the rate of exchange as soon thereafter as it is practicable for it to do so or, in the case of a liquidation, insolvency or analogous process, at the rate of exchange on the latest date permitted by applicable law for the determination of liabilities in such liquidation, insolvency or analogous process) actually received by such Holder or Relevant Account Holder falls short of the amount due under the terms of this Deed, each Guarantor jointly and severally undertakes that it shall, as a separate and independent obligation, indemnify and hold harmless such Holder or Relevant Account Holder against the amount of such shortfall. For the purpose of this clause "rate of exchange" means the rate at which the Holder or Relevant Account Holder is able on the London foreign exchange market on the relevant date to purchase the required currency with the other currency and shall take into account any premium and other reasonable costs of exchange.

8 Governing Law and Dispute Resolution

8.1 **Governing Law:** This Deed, and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, English law.

8.2 **Arbitration:** Without limiting the rights of the Relevant Account Holders and the Holders under Clause 8.4, any dispute, claim, difference or controversy arising out of, relating to, or having any connection with this Deed (including any dispute regarding its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a "Dispute")) shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("LCIA") Rules (the "Rules"), which rules (as amended from time to time) are deemed to be incorporated by reference into this Clause 8.2. For these purposes:

(a) there shall be three arbitrators, each of whom shall be an attorney experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court (as defined in the Rules);

(b) the seat of arbitration shall be London, England; and

(c) the language of the arbitration shall be English.

In any such arbitration, in the event of a declared public health emergency by either the World Health Organization (the "WHO") or a national government, as a consequence of which it is inadvisable or prohibited for the parties and/or their legal representatives to travel to, or attend any hearing ordered by the Tribunal (as defined in the Rules), the following shall apply:

(a) any such hearing shall be held via video or telephone conference upon the order of the Tribunal;

(b) no objection shall be taken to the decision, order or award of the Tribunal following any such hearing on the basis that the hearing was held by video or telephone conference; and

(c) in exceptional circumstances only, the Tribunal shall have the discretion to order that a hearing shall be held in person, but only after full and thorough consideration of the prevailing guidance of the WHO and any relevant travel or social distancing restrictions or guidelines affecting the parties and/or their legal representatives and the implementation of appropriate mitigation.

8.3 **Consolidation**: Where disputes arise out of or in connection with this Deed and out of or in connection with any of the Notes, the Fiscal Agency Agreement, the Deed of Covenant, any Guarantee Deed of Accession, any FAA Deed of Accession and any Deed of Substitution which, in the absolute discretion of the first Tribunal to be appointed in any of the disputes, are sufficiently closely connected that it is expedient for them to be resolved in the same proceedings, that Tribunal shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes, provided that no date for the final hearing of the first arbitration has been fixed. If that Tribunal so orders, the parties to each dispute which is a subject of its order shall be treated as having consented to that dispute being finally decided:

(a) by the Tribunal that ordered the consolidation unless the LCIA decides that such Tribunal would not be suitable or impartial; and

(b) in accordance with the procedure, at the seat and in the language specified in the contract under which the Tribunal that ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of any such agreement, ordered by the Tribunal in the consolidated proceedings.

Any dispute which is subject to a contractual option to litigate shall only be capable of consolidation pursuant to this Clause 8.3 if:

(a) exercise of the option to which the dispute is subject is no longer permitted pursuant to the terms upon which the option was granted; or

(b) the right of the option-holder to exercise the option has otherwise been validly waived.

This Clause 8.3 shall apply even where powers to consolidate proceedings exist under any applicable arbitration rules (including those of an arbitral institution) and, in such circumstances, the provisions of this Clause 8.3 shall apply in addition to those powers.

8.4 **Jurisdiction:** Notwithstanding Clause 8.2, each of the Relevant Account Holders and the Holders may, in the alternative and at their sole discretion, by notice in writing to the Guarantor(s) (a) within 28 days of receipt of a Request for Arbitration (as defined in the Rules); or (b) if no arbitration has already been commenced under Clause 8.2, require that a Dispute be heard by the courts of England.

If any of the Relevant Account Holders and/or Holders gives such notice, the Dispute to which such notice refers shall be determined in accordance with this Clause 8.4 and any arbitration commenced under Clause 8.2 in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to litigate is given as contemplated by the first paragraph of this Clause 8.4 after receipt of any Request for Arbitration in respect of any Dispute, the relevant Relevant Account Holder(s) and/or Holder(s) must also promptly give notice to the LCIA Court and to any Tribunal already appointed in relation to the Dispute that such Dispute will be settled by the courts.

If notice is delivered to the Guarantor(s) in accordance with this Clause 8.4, the courts of England are to have jurisdiction to settle any such dispute and accordingly any legal action or proceedings arising out of or in connection with this Deed ("Proceedings") may be brought in such courts.

Each of the Guarantors hereby irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum.

This Clause 8.4 is for the benefit of the Relevant Account Holders and the Holders only. As a result, and notwithstanding any other provision in this Clause 8.4, the Relevant Account Holders and the Holders may bring Proceedings in any other courts with jurisdiction. To the extent allowed by law, the Relevant Account Holders and the Holders may take concurrent Proceedings in any number of jurisdictions.

8.5 **Agent for Service of Process:** Each Guarantor (except the Company and Hikma Pharmaceuticals International Limited) irrevocably appoints Hikma Pharmaceuticals PLC of 1 New Burlington Place, Mayfair, London W1S 2HR, United Kingdom as its agent in England to receive service of process in any Proceedings in England based on this Deed. If for any reason such agent shall cease to be such agent for service of process, each such Guarantor shall promptly appoint a substitute process agent and notify the Noteholders of such appointment in accordance with the Conditions. Nothing herein shall affect the right to serve process in any other manner permitted by law.

8.6 **Process Agent:** By executing and delivering this Deed, the Company consents to act as agent for the service of process in relation to the relevant Guarantor in respect of any Proceedings before the English courts in connection with this Deed.

Schedule
Form of Guarantee Deed of Accession

This Deed of Accession (this "Deed") is made on [DATE] by [ADDITIONAL GUARANTOR] (the "Additional Guarantor") in favour of the Holders and the Relevant Account Holders.

Whereas:

(A) The Issuer has issued U.S.$500,000,000 principal amount of Notes known as its 3.250 per cent. Guaranteed Notes due 2025 which were initially guaranteed by the Initial Guarantors (the "Notes", which expression shall, if the context so admits, include the Global Certificate initially delivered in respect of the Notes) pursuant to a fiscal agency agreement, as amended or supplemented from time to time dated 9 July 2020 between, *inter alios*, the Issuer, the Initial Guarantors and Citibank, N.A., London Branch as Fiscal Agent (the "Fiscal Agent").

(B) The Issuer and the Initial Guarantors have, in relation to the Notes, entered into a deed of covenant dated 9 July 2020 (as amended and supplemented from time to time, the "Deed of Covenant").

(C) Pursuant to the deed of guarantee dated 9 July 2020 executed by each of the Initial Guarantors relating to the Notes (as amended and supplemented from time to time, the "Deed of Guarantee"), the Initial Guarantors have agreed to jointly and severally guarantee the payment of all sums expressed to be payable from time to time by the Issuer in respect of the Notes to the holders of any Notes (the "Holders") and under the Deed of Covenant to the Relevant Account Holders.

(D) Pursuant to Condition 5.4 of the Notes, the Additional Guarantor wishes to become a Guarantor by acceding to, *inter alia*, the Deed of Guarantee and the Deed of Covenant.

This Deed Witnesses as follows:

1 Interpretation

1.1 **Defined Terms:** Terms defined in the Deed of Guarantee and the Deed of Covenant shall bear the same meaning herein.

1.2 **Headings:** Headings shall be ignored in construing this Deed.

2 Accession

The Additional Guarantor undertakes to perform and observe all the obligations expressed to be undertaken under the Deed of Guarantee, the Deed of Covenant and the Conditions by a Guarantor and agrees that it shall be bound by the Deed of Guarantee, the Deed of Covenant and the Conditions in all respects as if it had been an original party thereto.[1]

3 Communications

The Additional Guarantor's notice details are as follows:

Address: [●]
Fax.: [●]

[1] This clause may be amended to address any applicable legal or regulatory considerations applicable to the Additional Guarantor as contemplated by Condition 5.4.2.

Telephone: [●]
Contact Name: [●]

4 Deposit of this Deed

The Additional Guarantor shall deposit this Deed with the Fiscal Agent, to be held by the Fiscal Agent until all the obligations of the Guarantors have been discharged in full. The Additional Guarantor acknowledges the right of each Holder and each Relevant Account Holder to the production of, and to obtain a copy of, this Deed.

5 Governing Law and Dispute Resolution

5.1 **Governing Law:** This Deed, and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, English law.

5.2 **Arbitration:** Without limiting the rights of the Relevant Account Holders and the Holders under Clause 5.4, any dispute, claim, difference or controversy arising out of, relating to, or having any connection with this Deed (including any dispute regarding its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a "Dispute")) shall be referred to and finally resolved by arbitration under the London Court of International Arbitration ("LCIA") Rules (the "Rules"), which rules (as amended from time to time) are deemed to be incorporated by reference into this Clause 5.2. For these purposes:

(a) there shall be three arbitrators, each of whom shall be an attorney experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court (as defined in the Rules);

(b) the seat of arbitration shall be London, England; and

(c) the language of the arbitration shall be English.

In any such arbitration, in the event of a declared public health emergency by either the World Health Organization (the "WHO") or a national government, as a consequence of which it is inadvisable or prohibited for the parties and/or their legal representatives to travel to, or attend any hearing ordered by the Tribunal (as defined in the Rules), the following shall apply:

(a) any such hearing shall be held via video or telephone conference upon the order of the Tribunal;

(b) no objection shall be taken to the decision, order or award of the Tribunal following any such hearing on the basis that the hearing was held by video or telephone conference; and

(c) in exceptional circumstances only, the Tribunal shall have the discretion to order that a hearing shall be held in person, but only after full and thorough consideration of the prevailing guidance of the WHO and any relevant travel or social distancing restrictions or guidelines affecting the parties and/or their legal representatives and the implementation of appropriate mitigation.

5.3 **Consolidation**: Where disputes arise out of or in connection with this Deed and out of or in connection with any of the Notes, the Fiscal Agency Agreement, the Deed of Guarantee, the Deed of Covenant, any

FAA Deed of Accession, any other Guarantee Deed of Accession and any Deed of Substitution which, in the absolute discretion of the first Tribunal to be appointed in any of the disputes, are sufficiently closely connected that it is expedient for them to be resolved in the same proceedings, that Tribunal shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes, provided that no date for the final hearing of the first arbitration has been fixed. If that Tribunal so orders, the parties to each dispute which is a subject of its order shall be treated as having consented to that dispute being finally decided:

(a) by the Tribunal that ordered the consolidation unless the LCIA decides that such Tribunal would not be suitable or impartial; and

(b) in accordance with the procedure, at the seat and in the language specified in the contract under which the Tribunal that ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of any such agreement, ordered by the Tribunal in the consolidated proceedings.

Any dispute which is subject to a contractual option to litigate shall only be capable of consolidation pursuant to this Clause 5.3 if:

(a) exercise of the option to which the dispute is subject is no longer permitted pursuant to the terms upon which the option was granted; or

(b) the right of the option-holder to exercise the option has otherwise been validly waived.

This Clause 5.3 shall apply even where powers to consolidate proceedings exist under any applicable arbitration rules (including those of an arbitral institution) and, in such circumstances, the provisions of this Clause 5.3 shall apply in addition to those powers.

5.4 **Jurisdiction:** Notwithstanding Clause 5.2, each of the Relevant Account Holders and the Holders may, in the alternative and at their sole discretion, by notice in writing to the Additional Guarantor (a) within 28 days of receipt of a Request for Arbitration (as defined in the Rules); or (b) if no arbitration has already been commenced under Clause 5.2, require that a Dispute be heard by the courts of England.

If any of the Relevant Account Holders and/or Holders gives such notice, the Dispute to which such notice refers shall be determined in accordance with this Clause 5.4 and any arbitration commenced under Clause 5.2 in respect of that Dispute will be terminated. Each person who gives such notice and the recipient of that notice will bear its own costs in relation to the terminated arbitration.

If any notice to litigate is given as contemplated by the first paragraph of this Clause 5.4 after receipt of any Request for Arbitration in respect of any Dispute, the relevant Relevant Account Holder(s) and/or Holder(s) must also promptly give notice to the LCIA Court and to any Tribunal already appointed in relation to the Dispute that such Dispute will be settled by the courts.

If notice is delivered to the Additional Guarantor in accordance with this Clause 5.4, the courts of England are to have jurisdiction to settle any such dispute and accordingly any legal action or proceedings arising out of or in connection with this Deed ("Proceedings") may be brought in such courts.

The Additional Guarantor hereby irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum.

This Clause 5.4 is for the benefit of the Relevant Account Holders and the Holders only. As a result, and notwithstanding any other provision in this Clause 5.4, the Relevant Account Holders and the Holders

may bring Proceedings in any other courts with jurisdiction. To the extent allowed by law, the Relevant Account Holders and the Holders may take concurrent Proceedings in any number of jurisdictions.

5.5 **Agent for Service of Process[2]:** The Additional Guarantor irrevocably appoints [Hikma Pharmaceuticals PLC] of [1 New Burlington Place, Mayfair, London W1S 2HR, United Kingdom] as its agent in England to receive service of process in any Proceedings in England based on this Deed. If for any reason such agent shall cease to be such agent for service of process, the Additional Guarantor shall promptly appoint a substitute process agent and notify the Noteholders of such appointment in accordance with the Conditions. Nothing herein shall affect the right to serve process in any other manner permitted by law.

In witness whereof the Additional Guarantor has caused this Deed to be duly delivered as a deed on the date stated at the beginning.

Executed and Delivered as a Deed by
[ADDITIONAL GUARANTOR][3]

By:

[2] Process agent appointment only required for a non-UK Additional Guarantor.

[3] Execution block to be amended based on jurisdictional requirements.

TAXATION

Introduction

The following is a general description of certain United States, United Kingdom and other tax considerations relating to the Notes. It does not purport to be a comprehensive description of all United States, United Kingdom or other tax considerations in relation thereto. It is not intended to be, nor should it be construed to be, legal or tax advice and is included solely for information purposes. It assumes that there will be no substitution of the Issuer or any of the Guarantors or further issues of securities that will form a single series with the Notes and does not address the consequences of any such substitution or further issue (notwithstanding that such substitution or further issue may be permitted by the terms and conditions of the Notes). It applies only to persons who are the absolute beneficial owners of Notes, relate only to the position of persons who hold their Notes as investments, and are comments of a general nature based on the Issuer's understanding of current law and practice in the United States and the United Kingdom, respectively, relating to certain aspects of United States and United Kingdom taxation.

Each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in, or the acquisition, holding, settlement, redemption and disposal of, the Notes. In particular, each prospective investor should be aware that the tax legislation of any jurisdiction where they are resident or otherwise subject to taxation (as well as the jurisdictions of the Issuer and each of the Guarantors) may have an impact on the tax consequences of an investment in the Notes including in respect of any income received from the Notes.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Offering Circular, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

United States Taxation

The following is a summary of certain US federal income tax consequences of the acquisition, ownership and disposition of Notes by "Non-US Holders" (as defined below). This summary deals only with investors that acquire the Notes at the "issue price" (the first price at which a substantial amount of Notes are sold for money, excluding sales to underwriters, placement agents or wholesalers) in the initial offering and that will hold the Notes as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors (including consequences under the alternative minimum tax, net investment income tax, or special rules for the taxable year of inclusion for accrual basis taxpayers under Section 451(b) of the US Internal Revenue Code of 1986, as amended (the "Code")), and does not address US state or local, non-US or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under US federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes, persons that have ceased to be US citizens or lawful permanent residents of the United States, non-resident alien individuals who are present in the United States for 183 days or more in the taxable year of the Notes' disposition, Non-US Holders holding Notes in connection with a trade or business in the Unites States, or entities or arrangements treated as partnerships for US federal income tax purposes).

For purposes of this summary, a "Non-US Holder" is a beneficial owner of a Note that is:

- a non-resident alien individual for US federal income tax purposes;

- a foreign corporation for US federal income tax purposes;
- an estate whose income is not subject to US federal income tax on a net income basis; or
- a trust if (1) no court within the United States is able to exercise primary jurisdiction over its administration or no United States persons have the authority to control any of its substantial decisions, and (2) it has not validly elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their tax advisers concerning the US federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET FORTH BELOW IS INCLUDED FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF US STATE OR LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Non-US Holders

Payment of Interest

Subject to the discussion on backup withholding and FATCA withholding below, payments of interest by the Issuer or any paying agent to a Non-US Holder will not be subject to US federal withholding tax, provided that, (i) the Non-US Holder is not a "10-percent shareholder" within the meaning of Section 871(h)(3)(B) of the Code, (ii) the Non-US Holder is not a controlled foreign corporation for US federal income tax purposes related to the Issuer through stock ownership, (iii) the Non-US Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code, and (iv) the Non-US Holder timely provides the payor with a properly completed IRS Form W-8. If a Non-US Holder fails to satisfy all of these requirements, payments of interest on the Notes generally will be subject to US withholding tax at a rate of 30% unless the Non-US Holder timely provides a properly completed IRS Form W-8 appropriate to the Non-US Holder's circumstances claiming an exemption from or reduction in withholding under an applicable income tax treaty and complies with any other applicable procedures.

Sale and Retirement of the Notes

Subject to the discussion on backup withholding and FATCA withholding below, a Non-US Holder generally will not be subject to US federal income tax on any gain realised upon the sale or retirement of a Note (including upon redemption). Any amounts received on the sale or retirement of a Note that are attributable to accrued interest will be treated as described under "*—Non US Holders—Payment of Interest*" above.

Backup Withholding and Information Reporting

Information returns are required to be filed with the IRS in connection with payments of interest on the Notes to Non-US Holders. Unless a Non-US Holder complies with certification procedures to establish that it is not a US person, information returns may also be filed with the IRS in connection with the proceeds from a sale or retirement of a Note (including upon redemption). Unless a payor has actual knowledge or reason to know that

the holder or beneficial owner, as the case may be, is a US person (as defined in the Code), payments of principal and interest on Notes made to a Non-US Holder will not be subject to backup withholding, provided the Non-US Holder timely provides the payor with a properly completed IRS Form W-8, or otherwise establishes an exemption from backup withholding.

Any amounts withheld under the backup withholding rules may be allowed as a credit against the holder's US federal income tax liability, and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS. Non-US Holders should consult their tax advisers regarding the application of information reporting and backup withholding to their particular situations, the availability of an exemption therefrom, and the procedure for obtaining an exemption, if available.

FATCA Withholding

Pursuant to certain provisions of US law, commonly known as FATCA, a US withholding tax at a rate of 30% (i) is imposed on payments of US source interest and (ii) was scheduled to be imposed on payments of gross proceeds from the disposition of instruments that pay US source interest on or after January 1, 2019, in each case, to persons that fail to meet certain certification, reporting, or related requirements. Interest paid on the Notes generally will be subject to withholding under FATCA if a holder fails to provide certification of exemption from FATCA withholding. Proposed regulations have been issued which eliminate FATCA withholding on payments of gross proceeds from the disposition of instruments that can produce US source interest. The US Treasury Department has indicated that taxpayers may rely on these proposed regulations pending their finalisation. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Holders should consult their own tax advisers regarding how these rules may apply to an investment in the Notes.

In the event that any FATCA withholding would be required with respect to payments on the Notes, none of the Issuer or any other person will be required to pay additional amounts to compensate for this withholding.

United Kingdom Taxation

The comments below are of a general nature and based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs ("HMRC") practice (which may not be binding on HMRC), in each case as at the latest practicable date before the date of this document. They assume that neither the Issuer nor any of the Guarantors (other than the Company and Hikma Pharmaceuticals International Limited) is United Kingdom resident or acts through a permanent establishment in the United Kingdom in relation to the Notes and that no other nexus with the United Kingdom results in either interest on the Notes or payments under the Deed of Covenant or under the Deed of Guarantee (other than payments by the Company and Hikma Pharmaceuticals International Limited under the Deed of Covenant or under the Deed of Guarantee) having a United Kingdom source. They do not relate to any further issuance of the same series of Notes. Noteholders and prospective Noteholders should consult their own professional advisers as to the United Kingdom tax consequences of holding and disposing of Notes and receiving payments of interest or principal under the Notes.

References in this part to "interest" shall mean amounts that are treated as interest for the purposes of United Kingdom taxation.

Interest on the Notes

Payments of interest on the Notes by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax.

Treatment of any Premium Payable on Redemption

Where Notes are to be, or may fall to be, redeemed at a premium (as opposed to being issued at a discount), then any such element of premium may constitute a payment of interest that would be subject to United Kingdom withholding tax rules. As outlined above, payments of interest on the Notes by the Issuer may be made without withholding or deduction for or on account of United Kingdom income tax.

Payments under the Deed of Covenant and Deed of Guarantee made other than by the Company and Hikma Pharmaceuticals International Limited

Payments under the Deed of Covenant and Deed of Guarantee, made other than by the Company and Hikma Pharmaceuticals International Limited, may be made without withholding or deduction for or on account of United Kingdom income tax.

Payments by the Company and Hikma Pharmaceuticals International Limited under the Deed of Covenant and Deed of Guarantee

Payments by the Company and Hikma Pharmaceuticals International Limited under the Deed of Covenant and Deed of Guarantee may be subject to United Kingdom withholding tax at the basic rate (currently 20 per cent.), subject to the availability of any reliefs under domestic United Kingdom law or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

United Kingdom Stamp Duty and Stamp Duty Reserve Tax (SDRT)

Assuming the Notes do not carry a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the relevant capital or a right on repayment to an amount which exceeds the nominal amount of the relevant capital and is not reasonably comparable with what is generally repayable (in respect of a similar nominal amount of capital) under the terms of issue of other loan capital included in the Official List of the Financial Conduct Authority and admitted to trading on the London Stock Exchange, the Notes will constitute exempt loan capital and accordingly no UK stamp duty or SDRT is payable on the issue or transfer by delivery of a Note or on its redemption.

Certain Other Tax Considerations

Payment by a Guarantor

If a Guarantor makes any payments in respect of interest on the Notes it is possible that such payments may be subject to withholding tax at applicable rates subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply. It is not certain that such payments by a Guarantor will be eligible for all exemptions described above. If such payments are subject are subject to withholding or deduction, the Guarantor will pay additional payments so that the net amount received is no less than the amount which would have been received in the absence of such withholding or deduction (subject to certain exceptions) as described under Condition 9.

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited, HSBC Bank plc, Merrill Lynch International and Mizuho International plc (together, the "Joint Lead Managers") have, pursuant to a Subscription Agreement dated 7 July 2020 (the "Subscription Agreement"), jointly and severally agreed with the Issuer and the Guarantors, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the Notes.

The Joint Lead Managers will be paid certain commissions in respect of services for managing the issue and sale of the Notes. In addition, the Issuer and the Guarantors have agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes and to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith. The Subscription Agreement entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

In order to facilitate the offering of the Notes, certain persons participating in the Offering may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Notes during and after the Offering. Specifically, such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilisation or other transactions. Such transactions, if commenced, may be discontinued at any time. Under UK laws and regulations, stabilisation activities may only be carried on by the Stabilisation Manager(s) named in the Subscription Agreement (or persons acting on behalf of any Stabilisation Manager(s)) and only for a limited period following the Issue Date of the Notes.

The yield for the Notes is 3.500 per cent. per annum on an annual basis. The yield is calculated as at the pricing date of the Notes on the basis of the issue price. It is not an indication of future yield.

Other Relationships

Certain of the Joint Lead Managers and their affiliates have from time to time performed, and in the future may perform, various financial advisory, commercial banking and investment banking services for the Company and/or its affiliates, for which they have received and/or will receive fees and expenses. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Company or its affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Company and/or its affiliates routinely hedge their credit exposure to the Company and/or its affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Company and/or its affiliates, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend

to clients that they acquire, long and/or short positions in such securities and instruments. Additionally, the proceeds of the issuance of the Notes may be used to repay a portion or all of any outstanding amounts under certain existing financing arrangements between the Company and/or its affiliates and certain of the Joint Lead Managers where such Joint Lead Managers act as lenders.

General

None of the Issuer, any Guarantor or any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or any Guarantor that would permit a public offering of the Notes, or possession or distribution of the Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes the Offering Circular (in preliminary, proof or final form) or any such other material, in all cases at its own expense.

United States

The Notes and the Guarantee have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold directly or indirectly within the United States except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes and the Guarantees are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Notes and the Guarantees, an offer or sale of Notes or Guarantees within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA and UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

(b) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Portugal

No offer or sale of Notes may be made in Portugal except in circumstances that will result in compliance with the rules concerning marketing of Notes and the laws of Portugal generally.

No Offering Circular has been subject to the approval nor will they be subject to the approval of the Portuguese Securities Market Commission (the "CMVM") in relation to the offer of the Notes. Each Joint Lead Manager has represented and agreed that it has not offered or sold, and it will not offer or sell any Notes in Portugal or to residents of Portugal otherwise than in accordance with applicable Portuguese Law.

No approval has been or will be requested from the CMVM that would permit a public offering of any of the Notes in Portugal therefore the same cannot be offered to the public in Portugal. Accordingly, each Joint Lead Manager has represented and agreed that no Notes have been or will be offered or sold to 150 or more addressees who are not Portuguese Qualified Investors and no offer has been preceded or followed by promotion or solicitation to unidentified investors, public advertisement or publication of any promotional material. In particular, the offer of Notes is only intended for Qualified Investors. Qualified Investors within the meaning of Article 30 of the Securities Code ("Código dos Valores Mobiliários") includes credit institutions, investment firms, insurance companies, collective investment institutions and their respective managing companies, pension funds and their respective pension fund-managing companies, other authorised or regulated financial institutions, notably securitisation funds and their respective management companies, all other financial companies set out in the applicable law, i.e. securitisation companies, venture capital companies, venture capital funds and their respective management companies, financial institutions incorporated in a state that is not a member state of the EU that carry out activities similar to those previously mentioned, entities trading in financial instruments related to commodities and regional and national governments, central banks and public bodies that manage debt or funds addressed at financing national social security systems or pension fund or employee protection schemes, supranational or international institutions, such as the European Central Bank, the European Investment Bank, the International Monetary Fund and the World Bank, as well as entities that provide investment services or carry out investment activities that consist exclusively in dealing for their own account in future or spot markets, the latter for the sole purpose of hedging positions on derivatives markets, or dealing or participating on the price formation process on behalf of other members of such markets and which are guaranteed by a clearing member of said markets, where responsibility for ensuring the performance of contracts is assumed by one of said members, and any legal entity which satisfies two or more of the following criteria (1) equity in the amount of €2,000,000; (2) assets of more than €20,000,000 and (3) a net turnover of more than €40,000,000, all as shown in its last annual individual accounts. It may also include high net worth individuals who request to be classified as such, where they also comply with certain requirements and subsequently with the registration with the CMVM within the terms of a CMVM regulation.

Jordan

The Notes have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the Hashemite Kingdom of Jordan in a manner that would constitute a public offering. This Offering Circular has not been and will not be reviewed or approved by, or registered with, the Jordan Securities Commission in accordance with its regulations and any other regulations in the Hashemite Kingdom of Jordan. The Notes are not and will not be traded on the Amman Stock Exchange.

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or promoted or advertised by it in Jordan other than in compliance with the Securities Law No. (18) of 2017, as amended, the Law Regulating Dealings in Foreign Exchange No. (1) of 2017, and regulations issued pursuant to them governing the issue of offering and sale of securities. Without limiting the foregoing, each Joint Lead Manager has represented and agreed that the Notes have not been and will not, in any manner, be offered, sold, promoted or advertised to more than thirty (30) persons in Jordan, without complying with the required approval

and notification requirements set out under the above-referenced laws and the regulations issued pursuant to them.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(c) it has not offered or sold and will not offer or sell in Hong Kong by means of any document, any Notes other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(d) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore), as amended or modified from time to time (the "SFA")) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

(b) where no consideration is or will be given for the transfer; or

(c) where the transfer is by operation of law; or

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Product classification pursuant to Section 309B of the SFA – In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018).

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold any Notes, and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Malaysia

Each Joint Lead Manager has represented and agreed that:

(a) the Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia (the "SC") under the Capital Markets and Services Act 2007 of Malaysia ("CMSA"); and

(b) accordingly, the Notes have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 (or Section 229(1)(b)) and Schedule 7 (or Section 230(1)(b)) read together with Schedule 9 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the SC and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the "DFSA"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Saudi Arabia

No action has been or will be taken in Saudi Arabia that would permit a public offering of the Notes. Any investor in Saudi Arabia or who is a Saudi person (a "Saudi Investor") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 9 or Article 10 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority (the "CMA") resolution number 3-123-2017 dated 27 December 2017, as amended by the Board of the CMA resolution number 1-104-2019 dated 30 September 2019 (the "KSA Regulations"), made through a person authorised by the CMA to carry on the securities activity of arranging and following a notification to the CMA under Article 11 of the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in Saudi Arabia other than to sophisticated investors under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Notes to a Saudi Investor will be made in compliance with Article 9 or Article 10 and Article 11 of the KSA Regulations.

Each offer of Notes shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Notes pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Notes to any person unless the offer or sale is made through an authorised person appropriately licensed by the CMA and: (a) the Notes are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer of sale is otherwise in compliance with Article 15 of the KSA Regulations. If the requirement in (b) cannot be fulfilled because the price of the securities being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell securities to the transferee if their purchase price during the period of the original private placement was equal to Saudi Riyals 1 million or an equivalent amount and if that requirement cannot be fulfilled, a transferor may offer or sell the securities if it sells its entire holding of such securities to one transferee.

State of Qatar

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Notes in the State of Qatar, including the Qatar Financial Centre, except: (a) in compliance with all applicable laws and regulations of the State of Qatar, including the Qatar Financial Centre; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Notes except on a private placement basis to persons in the Kingdom of Bahrain who are accredited investors.

For this purpose, an "accredited investor" means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of US$1,000,000 or more;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than US$1,000,000; or

(c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

State of Kuwait

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. No private or public offering of the Notes is being made in the State of Kuwait, and no agreement relating to the sale of the Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Notes in the State of Kuwait.

Arab Republic of Egypt

Each Joint Lead Manager has acknowledged that Notes may not be offered or sold in any form of general solicitation or general advertising or in a public offering in Egypt, unless the pre-approval of the Financial Regulatory Authority – formerly known as the Capital Market Authority – has been obtained.

Each Joint Lead Manager has represented and agreed that Notes may only be offered or sold in Egypt through a private placement to Egyptian QIBs, Public Legal Entities and Qualified Individual Investors (as defined below) who are sophisticated enough to fend for themselves or whose ordinary activities involve them acquiring, holding, managing or disposing of investments for the purposes of their business and only in accordance with applicable Egyptian law and regulations including the applicable provisions of the Capital Market Law, its Executive Regulations and the Decree of the Board of Directors of the FRA no. 48 for the year 2019 concerning public offerings and private placements.

For these purposes:

"Egyptian QIBs" are (i) Egyptian banks and branches of foreign banks under the supervision of the Central Bank of Egypt, (ii) investment banks, (iii) portfolio formation and management companies; (iv) insurance and re-insurance companies, (v) venture capital firms, (vi) direct investment companies, (vii) real-estate finance companies, (viii) financial leasing companies, (ix) factoring companies, (x) private insurance funds having an investment portfolio with a value above EGP 100,000,000, (xi) investment funds, (xii) investment funds of regional, Arab and foreign financial institutions; and (xiii) regional and international financial institutions, which satisfy either of the following requirements:

(a) a minimum asset book value of EGP 20,000,000; or

(b) a minimum investment in securities (excluding securities related to the offering of the relevant Notes and in entities other than the Issuer) of EGP 10,000,000 as of the date of the placement; or

(c) a licence to operate in the field of securities and permitted to acquire securities within its objects.

A "Qualified Individual Investor" is an individual who owns assets with a minimum value of EGP 5,000,000 and it is preferable for such individual to have experience in the field of stock markets and capital markets for a minimum period of five years.

A "Public Legal Entity" is either (i) an insurance and public pension fund or (ii) a corporation with a paid-up capital not less than EGP 1,000,000.

GENERAL INFORMATION

1 Clearing Systems

The Notes have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems.

The Global Certificate will be accepted for clearance through Euroclear and Clearstream, Luxembourg (ISIN XS2196334838 and Common Code 219633483). The Financial Instrument Short Name (FISN) is HIKMA FINANCE U/3.25EUR NT 20250709 and the Classification of Financial Instruments (CFI) code is DBFNFR, in each case as may be updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the National Numbering Agency that assigned the relevant ISIN.

2 Admission to Trading

Application will be made to the London Stock Exchange for the Notes to be admitted to trading on the ISM. It is expected that admission of the Notes to trading will be granted on or about 10 July 2020.

3 Authorisations

The Issuer and the Guarantors have obtained all necessary consents, approvals and authorisations in the United Kingdom, the United States, Jordan, Egypt, Saudi Arabia or Portugal, as applicable, in connection with the issue and performance of the Notes and the Guarantee. The issue of the Notes was authorised by a written consent of the sole member of the Issuer passed on 10 June 2020. The giving of the Guarantee was authorised by:

(a) resolutions of the Board of Directors of the Company on 26 February 2020 and 10 June 2020;

(b) a resolution of the Board of Directors of Hikma Pharmaceuticals International Limited on 22 June 2020 and a resolution of the sole shareholder of Hikma Pharmaceuticals International Limited on 22 June 2020;

(c) a resolution of the Board of Directors and Sole Stockholder of Eurohealth (U.S.A.), Inc. on 10 June 2020;

(d) a resolution of the Board of Directors and Sole Stockholder of Hikma Injectables USA Inc. on 10 June 2020;

(e) a resolution of the Board of Directors and Sole Stockholder of Hikma Pharmaceuticals USA Inc. on 10 June 2020;

(f) a resolution of the Board of Directors and Sole Stockholder of Hikma Specialty USA Inc. on 10 June 2020;

(g) a resolution of the Board of Directors and Sole Stockholder of West-Ward Columbus Inc. on 10 June 2020;

(h) a resolution of the Board of Directors of Hikma Labs Inc. on 10 June 2020;

(i) a resolution of the Extra-Ordinary General Assembly of Arab Pharmaceutical Manufacturing PSC on 22 June 2020 and a resolution of the Board of Directors of Arab Pharmaceutical Manufacturing PSC on 14 June 2020;

(j) a resolution of the Extra-Ordinary General Assembly of Hikma Pharmaceuticals LLC on 22 June 2020 and a resolution of the Board of Directors of Hikma Pharmaceuticals LLC on 14 June 2020;

(k) a resolution of the Extra-Ordinary General Assembly of Hikma Pharma S.A.E. on 22 June 2020;

(l) a resolution of the Board of Directors of Hikma Farmacêutica (Portugal) S.A. on 22 June 2020; and

(m) written resolutions of the Board of Managers of Al Jazeerah Pharmaceutical Industries Ltd on 19 March 2020 and 16 June 2020.

4 Legal Entity Identifier

The Legal Entity Identifier code ("LEI") of the Issuer is 213800BU7YH2WTM1QL87.

5 Significant or Material Adverse Change

Save for the changes in capitalisation and indebtedness set out in "*Capitalisation*", there has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2019. There has been no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2019.

6 Litigation

Neither the Issuer nor the Guarantors nor any of their respective subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position or profitability of the Issuer, any Guarantor or of the Group.

7 Documents on Display

For as long as the Notes are admitted to trading on the ISM, physical copies (and English translations, which will be accurate and direct translations, where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent:

(a) the Fiscal Agency Agreement (which includes the form of the Global Certificate);

(b) the Deed of Covenant;

(c) the Deed of Guarantee;

(d) the constitutional documents of the Issuer and each Guarantor;

(e) the audited consolidated financial statements of the Group as of and for each of the financial years ended 31 December 2017, 31 December 2018 and 31 December 2019, and the auditor's reports thereon; and

(f) a copy of this Offering Circular together with any supplement to this Offering Circular or further Offering Circular.

8 Auditors

The consolidated financial statements of the Group as at and for each of the years ended 31 December 2017, 2018 and 2019 included in this Offering Circular have been audited by PricewaterhouseCoopers LLP, independent auditors of the Group, as stated in their reports appearing herein. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants of England and Wales. The current address of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH, United Kingdom.

9 Conflicts of Interest

There are no potential conflicts of interest between any duties of the members of the administrative, management or supervisory bodies of the Issuer towards the Issuer and their private interests and/or other duties.

GLOSSARY

Active pharmaceutical ingredient or ***API*** means the specific substance within a pharmaceutical product which provides a pharmacological effect and thereby gives the product its therapeutic effect.

Ampoule(s) means 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 means an agent that reduces or abolishes sensation, either in a restricted area (local anaesthetic) or in the whole body (general anaesthetic).

Analgesic means agents that relieve/abolish pain.

ANDA means Abbreviated New Drug Application. Submitted to the US 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.

Anticoagulant means an agent that prevents blood clotting.

Anti-infectives means substances capable of killing infectious agents or of preventing them from spreading and causing infection.

Bio-availability means the rate and extent an active drug ingredient is absorbed into the circulation and is therefore available at its target site.

Bio-equivalence means when drugs at the same dose, their rate and extent of absorption do not show a significant difference.

Biosimilars means an emerging category of biological drugs derived from large, complex molecules and extracted from natural sources therefore are difficult to replicate. Branded prescription drugs means finished pharmaceutical products sold under a specific brand name, which are only available for purchase with a medical practitioner's prescription. Cardiovascular means pertaining to the heart and blood vessels.

Central nervous system or ***CNS*** means the network of cells throughout the body that carry information (in the form of nerve impulses).

Cephalosporins means a large class of antibiotics similar both chemically and in their mode of action to penicillin's.

cGMP refers to the "current Good Manufacturing Practice" Regulations promulgated by the US 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.

Complex Generics means a product with Specialty Generics complex active ingredient(s) or a complex formulation or a complex route of delivery; a complex dosage form; complex drug device combination products and other products where complexity or uncertainty concerning the approval pathway or possible alternative approaches would benefit from early scientific engagement.

Controlled substances means 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 pharmacological effect, or (v) role as a precursor of other controlled substances.

DMF means Drug Master File, a submission to the US FSA containing confidential detailed information about the drug in question.

EMA mean the European Medicines Agency, a decentralised agency of the European Union responsible for the scientific evaluation, supervision and safety monitoring of medicines in the European Union.

Generic products means a drug not protected by a trademark or patents, using the scientific name as opposed to the proprietary or brand name.

GPOs means Group Purchasing Organisations, which 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.

Hatch-Waxman Act means the Drug Price Competition and Patent Term Restoration Act, a US federal law enacted in 1984 that 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 products have expired or (2) an ANDA applicant has either successfully challenged relevant patents or patent challenge litigation has not been conducted within 30 months. It also permits patent owners to extend the duration of patents that lost effective patent life while US FDA conducted NDA review.

Immunosuppressive agents means agents that suppress immune function by one of several mechanisms of action.

Injectable products means a pharmaceutical product designed to be administered directly into the blood through a hypodermic needle.

Lyophilised means a solid substance isolated from solution by freezing the solution and evaporating the ice under a vacuum (see Freeze-Dried).

Metabolism means 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 means 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).

Mutagenicity means all of the muscles, bones and cartilages of the body collectively.

NDA means New Drug Application. An application to the US FDA for approval to market an originator pharmaceutical product in the US.

Orange Book means the US FDA's Approved Drug Products with Therapeutic Equivalence Evaluations book listing approved drug products with therapeutic equivalence evaluations and patent and other relevant information.

Originator pharmaceutical products means 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 products.

Paragraph IV Certification means 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 manufacturer, use or sale of the drug product or is unenforceable.

Penicillin means one of a number of antibiotic substances derived from the mould Penicillium.

Prescription pharmaceuticals or ***prescription drugs*** means a drug requiring a medical practitioner's prescription or physician's order.

Respiratory system means the combination of organs and tissues associated with breathing.

Semi-solid means 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 means medicated solid forms adapted for introduction into the rectal, vaginal or urethral orifice of the body.

Specialty drugs means complex prescription drugs used to treat patients with serious and often life-threatening conditions. Some of these medications can be taken orally. However, often the dosage forms are injectable vials or have special administration needs as well as storage and delivery requirements. Therapeutic categories means drug products classified as therapeutically equivalent can be sustained 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 US FDA, including where relevant bio-equivalence.

US FDA means the Food and Drug Administration, the US agency responsible for regulation of human and veterinary drugs, biological products and food products, amongst other things.

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The Group's consolidated financial statements and independent auditors' report as at and for the year ended 31 December 2019

The Group's consolidated financial statements and independent auditors' report as at and for the year ended 31 December 2018

The Group's consolidated financial statements and independent auditors' report as at and for the year ended 31 December 2017

Independent auditors' report to the members of Hikma Pharmaceuticals PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Hikma Pharmaceuticals PLC 's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and parent Company balance sheets as at 31 December 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

During the period, we identified that three PwC teams in the Middle East and North Africa (MENA) region were involved in supporting the preparation of the local statutory financial statements for prior periods on behalf of Hikma. These teams were involved in some administrative preparation of the local statutory financial statements and were not involved in any management decision-making or bookkeeping. This service does not form part of the group audit and is limited to 12 sets of local statutory accounts. Administrative preparation of statutory financial statements is prohibited by the FRC's Ethical Standard, and therefore upon identifying the breach, the teams immediately ceased providing the service. We confirm that, based on our assessment of this breach, and the subsequent actions taken, we have not, in our view, compromised our independence.

Other than the matter referred to above, and to the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2019 to 31 December 2019.

Independent auditors' report to the members of Hikma Pharmaceuticals PLC continued

Our audit approach

Overview

- Overall Group materiality: $21.5 million (2018: $17 million), based on 5% of profit before tax after adjusting for all exceptional items and other adjustments except for amortisation of intangible assets other than software.
- Overall Company materiality: capped at $19.35 million (2018: $10 million), but based on 1% of total assets.
- Our audit included full scope audits of five components, audit procedures on specific financial statement line items of two components and audit procedures performed centrally over certain areas and specific material balances at other locations around the world. Full scope components account for 76% of consolidated revenue, 69% of the adjusted profit measure we used as a basis for determining materiality and 74% of consolidated total assets.
- Valuation and presentation and disclosure of goodwill and intangible assets (Group).
- Valuation and presentation of gross to net rebate, returns and chargeback adjustments in the US (Group).
- Tax including valuation and presentation of both uncertain tax positions and deferred tax assets from transfer pricing (Group).
- No key audit matters specific to the Hikma Pharmaceuticals PLC parent Company financial statements were identified.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulations set out by the United States Food and Drug Administration (the FDA) and other industry regulators, pricing and practices legislation, taxation and anti-bribery and corruption legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- discussions with management and the Group's legal counsels, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- assessment of matters reported on the Group's whistleblowing hotline and results of management's investigation of such matters;
- challenging assumptions made by management in its significant accounting estimates particularly in relation to estimation of rebate, chargeback and return reserves, valuation of intangible assets, and recognition and measurement of litigation and contingent liabilities and uncertain tax positions (see related key audit matters below); and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management, journals posted and reviewed by the same individual and consolidation journals.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Valuation and presentation and disclosure of goodwill and intangible assets (Group)

Key audit matter	How our audit addressed the key audit matter
At 31 December 2019, the Group had goodwill of $282 million and intangible assets of $552 million (31 December 2018: $279 million and $487 million, respectively) comprising customer relationships, product-related intangible assets, software and other identified intangible assets. This is contained within four cash generating units (CGUs): Generics, Generic Advair Diskus®, Branded and Injectables. All CGUs containing goodwill and indefinite-lived intangible assets must be tested for impairment annually. The Group is also required to complete an impairment review of its portfolio of finite-lived tangible and intangible assets where there are indicators of impairment. Additionally, the Group must consider whether there are indicators of impairment reversal at each reporting date to the extent that this is relevant. The determination of recoverable values requires judgement on the part of management in identifying and then estimating the higher of the value in use and fair value less costs to dispose for the relevant CGUs. These amounts are based on management's view of future cash flow forecasts and external market conditions such as future pricing, probability of technical and regulatory success and the most appropriate discount rate. There is a risk that the carrying value of assets may be higher than the recoverable amount. Additionally, there is judgement in relation to triggering the reversals of impairments recognised in previous periods as IAS 36 states that impairment losses (excluding goodwill) are reversed if there has been an event or trigger that indicates a significant, discrete and sustained change. We focused on the intangible assets in the Generics and Generic Advair Diskus® CGUs in particular, due to the challenging recent market conditions and significant impairment in 2017, to assess if there were any significant changes in estimates relating to the external market conditions. We further focused specifically on the business plan cash flows and assumptions in the current financial year. An impairment reversal was recognised in 2019 for $21 million attributable to three specific intangible products that showed a sustained and discrete improvement in performance. An impairment charge of $3 million was recognised for software and other intangibles. *Refer to the Audit Committee review of areas of significant judgement on page 71, significant accounting policies (note 2), critical accounting judgements and key sources of estimation uncertainty (note 3) and goodwill and intangible assets (note 16) in the Group financial statements.*	We assessed the determination of the CGUs identified for the impairment calculation by considering the CGUs previously used as well as from our understanding of the business as it develops and how it is monitored. We conclude that management's determination of four CGUs in 2019 rather than three CGUs in 2018 is reasonable. With support from our valuations experts, we obtained the Group's impairment analyses and tested the integrity of the calculations, reasonableness of key assumptions, including product profit and cash flow growth or decline, terminal values and discount rates. Our valuations experts assessed the reasonableness of the valuation methodology, discount rates, long term growth rate and mathematical accuracy. We challenged management to substantiate its assumptions, including comparing relevant assumptions to industry forecasts. We performed the following procedures on the Group's impairment analyses, with significant involvement from senior engagement team members as well as our valuation experts: — corroborated the information to Board reviewed budgets and forecasts; — understood management's process for forecasting cash flows, which is underpinned by models that include a product-by-product analysis. We challenged management's market and pricing assumptions by comparing them to historical and third party market data. We also utilised our valuations experts to identify any anomalies or trends that warranted further investigation and corroboration; — in respect of costs and resulting profit margins in management's model, we challenged management on forecasted trends and assumed cost savings in the context of the Group's plans for ongoing product development, maintenance of its manufacturing facilities via capital expenditure and other investment and plans for organic growth; — performed look back testing to understand how accurate management had been in its previous forecasting; and — we recalculated the weighted average cost of capital and considered if the amount was within a reasonable range. For those assets including goodwill where management determined that no impairment was required, we found that these judgements were supportable. We also obtained management's sensitivity analyses which showed the impact of reasonably possible changes to key assumptions. We considered whether these were the key sensitivities and performed our own sensitivity analyses. We conclude the analyses performed and disclosed in note 16 are reasonable. We also considered management's policy around impairment reversal given the size of the impairment loss recognised in 2017. We considered both the conditions in the US generics market (at a CGU and product level) and factors relating to generic Advair Diskus®. Based on our procedures, we concluded it was appropriate to reverse $21 million of impairment on three specific marketed products which showed discrete and sustained recovery in performance. On generic Advair Diskus®, Hikma submitted its repeat study in November 2019 and is awaiting the results of the FDA's review of the associated drug application. Any potential reversal will be considered if and when FDA approval is obtained in line with Hikma's policy. This will continue to be monitored closely during 2020. We also validated the appropriateness of the related disclosures in notes 2, 3 and 16 of the financial statements.

Valuation and presentation of gross to net rebate, returns and chargeback adjustments in the US (Group)

Key audit matter	How our audit addressed the key audit matter
Management is required to make estimates in respect of revenue recognition and specifically the level of chargebacks, returns, rebates and other revenue deductions that will be realised against the Group's revenue. These estimates are material to the financial statements, hence the reason for inclusion as an area of focus. The largest of these estimates relates to revenue recognition through chargebacks, rebates and returns in the US for which the Group recorded revenue deductions for the year ended 31 December 2019 of $2,235 million (2018: $2,057 million). We focused on this area as chargebacks, returns, rebates and the deductions from gross revenue are complex, material and because establishing an appropriate reserve requires significant estimation by the Directors. This estimate is in a US healthcare environment in which competitive pricing pressure and product discounting are trends. The Directors have determined a reserve of $442 million to be necessary at 31 December 2019 (2018: $409 million). *Refer to the Audit Committee review of areas of significant judgement on page 71, significant accounting policies (note 2), critical accounting judgements and key sources of estimation uncertainty (note 3), trade and other receivables (note 21) and other current liabilities (note 28) in the Group financial statements.*	We considered the Group's processes for making judgements in this area and performed the following procedures: — we assessed applicable controls in place around this process, tested the nature of the pricing arrangements and the accuracy of calculations and agreed the rates in customer agreements with those used in management's calculations of the required reserves and deductions; — we obtained management's calculations for reserves under the applicable schemes and validated the assumptions used by reference to the Group's stated commercial policies, the terms of the applicable contracts and historical levels of product returns; — we compared the assumptions to contracted prices, historical rebates, discounts and returns levels (where relevant) and to current payment trends. We also considered the historical accuracy of the Group's estimates in previous years and the impact of competitive pricing pressures and greater discounting in the US market more generally; — we formed an independent expectation of the largest elements of the reserves at 31 December 2019 using third party data and compared this expectation to the actual accrual recognised by the Group; and — We obtained management's sensitivity analyses which showed the impact of reasonably possible changes to key assumptions. We considered whether these were the key assumptions, challenged management on whether the disclosure fully satisfied the requirements on IAS 1 and validated the impact of change in the assumptions disclosed. Based on the procedures performed, we did not identify any material differences between our independent expectations and the reserves recorded.

Tax including valuation and presentation of both uncertain tax positions and deferred tax assets from transfer pricing (Group)

Key audit matter	How our audit addressed the key audit matter
The Group operates across many jurisdictions due to its geographic spread, resulting in complex cross-border tax arrangements. As a result, it is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including transaction related tax matters and transfer pricing arrangements leading to uncertain tax positions. Judgement is required in assessing the outcome, and in estimating the level, of provisions required in respect of uncertain tax positions. At 31 December 2019, the Group has recorded provisions of $52 million in respect of uncertain tax positions (2018: $61 million). In 2019 management recorded an exceptional tax credit in the income statement of $97 million relating to (1) the recognition of US deferred tax assets arising as a result of the transfer of intangible assets from Hikma Pharmaceuticals International Limited (HPIL) to Hikma USA in July 2019 and creating deductible temporary differences in the US and (2) the recognition and utilisation of historic UK tax losses against taxable gains arising on the transfer of those assets and other taxable income in the UK. This has involved estimation of the value of the assets transferred, which determines the gain arising in the UK and future tax deductions in the US as a result. Management has used their own external expert to assist determine the valuation of the assets transferred. At 31 December 2019 total recognised deferred tax assets were $243 million (2018: $125 million) and deferred tax assets were not recognised in respect of $170 million (2018: $536 million) of tax losses and other deductible temporary differences. There is inherent judgement involved in estimating the period over which tax losses can be utilised and hence the level of deferred tax assets to recognise. *Refer to the Audit Committee review of areas of significant judgement on page 71, significant accounting policies (note 2), critical accounting judgements and key sources of estimation uncertainty (note 3), tax (note 12) and deferred tax (note 13) in the Group financial statements.*	In conjunction with our UK, US and international tax specialists, we evaluated and assessed the potential uncertainties and challenged management's judgements and estimation of the amount of tax provisions booked against the uncertain positions. In understanding and evaluating management's judgements relating to the level of provisioning for uncertain tax positions, and through discussions with management, we (including component teams, where relevant) assessed: — the status of ongoing, and outcome of, previous tax authority audits; — the integrity of management's detailed analysis and calculations of provisions recorded, amounting to $52 million; — the evidence provided by management to support its assumptions underpinning uncertain tax positions at 31 December 2019; — completeness of exposures for periods open to challenge and understanding new areas of enquiry from tax authorities; and — developments in the tax environment and external tax advice received by the Group. In respect of the exceptional tax credit we: — assessed the accuracy of management's estimate of the UK taxable gain arising from the sale of intangible assets from HPIL to Hikma US and the expected utilisation of tax losses, against this gain; — tested the additional tax deductions arising in the US as a result of differing fair values and tax bases of the intangible assets following their transfer from HPIL to Hikma USA, and the calculation of the deferred tax asset created; — tested the appropriateness of the valuation of the intangible assets by checking the consistency of underlying data supporting the transfer valuation prepared by management's experts. This included reconciling cash flows and forecasts behind the transfer value to those supporting the Group's annual impairment test of goodwill and indefinite-lived intangible assets to ensure consistency of views; and — the appropriateness of the related disclosures in notes 12 and 13 to the financial statements against the requirements of IAS 12. This included assessing the determination of which amounts are disclosed as exceptional items based on the magnitude and the nature of the item. In respect of assessing recoverability of deferred tax assets, we: — assessed whether deferred tax assets were recoverable under IAS 12 with reference to Board approved forecasts including estimated taxable profit forecasts; and — We utilised our specialists to help us assess the presentation of the deferred tax items in accordance with IAS12. Based on the procedures performed, we considered the valuation and presentation of uncertain tax positions and deferred tax assets to be supportable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Procedures were performed prior to year-end to evaluate component auditor procedures and controls, and visits were undertaken by senior team members to component auditor locations, to refine the audit approach and ensure sufficient oversight of component auditors.

As at 31 December 2019, Hikma Pharmaceuticals PLC had in total 65 entities (subsidiaries) as part of the Group. These entities may operate solely in one segment but more commonly operate across two. Each territory (component) submits a Group reporting package to Hikma's central accounting team including its income statement and statement of financial position prepared under Group accounting policies which are in compliance with IFRSs. We requested component teams in the US (Hikma USA), Jordan (Hikma Jordan), Algeria (Hikma Algeria) and Morocco (Hikma Morocco) to audit reporting packages of certain entities in these territories and report the results of their full scope audit work to us; the component audit of Hikma Pharmaceuticals PLC was performed by the Group audit team. This work was supplemented by procedures over specific balances performed on Hikma Pharmaceuticals International Limited (HPIL) and Hikma International Ventures Limited and procedures performed centrally including the consolidation, taxation and certain other component balances not covered by component auditors.

The involvement of the Group audit team in the work of the component auditors included conference calls, meetings with local management, review of working papers, attendance at audit clearance meetings, and other forms of communication as considered necessary depending on the significance of the component and the extent of accounting and audit issues arising. Senior members of the Group audit team also visited the US, Jordan and Morocco.

Full scope components account for 76% of consolidated revenue, 74% of consolidated total assets and 69% of the adjusted profit measure we used as a basis for determining materiality.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	$21.5 million (2018: $17 million).	$19.35 million (2018: $10 million).
How we determined it	5% of profit before tax after adjusting for all exceptional items and other adjustments except for amortisation of intangible assets other than software.	1% of total assets. This was capped at $19.35 million, but calculated based on 1% total assets.
Rationale for benchmark applied	The Group's principal measure of earnings is core profit. Management believes that it reflects the underlying performance of the Group and is a more meaningful measure of the Group's performance. We took the equivalent reported measure into account in determining our materiality but did not add back certain non-core items unless we deemed them to be non-recurring in nature. Our materiality would have been higher if we had adjusted for all non-core items.	The Company holds the Group's investments and performs treasury functions on behalf of the Group. The strength of the balance sheet is the key measure of financial health that is important to shareholders since the primary concern for the parent Company is the payment of dividends and servicing of debt.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $3,000,000 and $19,350,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1,000,000 (Group audit) (2018: $850,000) and $1,000,000 (Company audit) (2018: $850,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report, Directors' report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 54 to 105) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 54 to 105) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 47 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 70 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions
We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 105, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 71 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration
In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Directors' responsibilities statement set out on page 105, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 11 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31 December 2016 to 31 December 2019.

Darryl Phillips
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
26 February 2020

Consolidated income statement

For the year ended 31 December 2019

	Note	2019 Core results $m	2019 Exceptional items and other adjustments (Note 6) $m	2019 Reported results $m	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Revenue	4	**2,203**	**4**	**2,207**	2,076	(6)	2,070
Cost of sales		**(1,059)**	**–**	**(1,059)**	(1,004)	(16)	(1,020)
Gross profit		**1,144**	**4**	**1,148**	1,072	(22)	1,050
Selling, general and administrative expenses[1]		**(453)**	**(41)**	**(494)**	(437)	(33)	(470)
Net impairment reversals on financial assets		**–**	**–**	**–**	11	–	11
Research and development expenses		**(126)**	**(24)**	**(150)**	(118)	(29)	(147)
Other operating income/(expenses), net	9	**(57)**	**46**	**(11)**	(68)	(5)	(73)
Total operating expenses		**(636)**	**(19)**	**(655)**	(612)	(67)	(679)
Operating profit	5	**508**	**(15)**	**493**	460	(89)	371
Finance income	10	**7**	**60**	**67**	3	–	3
Finance expense	11	**(52)**	**(15)**	**(67)**	(54)	(26)	(80)
Gain/(loss) from investment at fair value through profit and loss (FVTPL)		**2**	**–**	**2**	(1)	–	(1)
Loss from investment divestiture		**–**	**(4)**	**(4)**	–	–	–
Profit before tax		**465**	**26**	**491**	408	(115)	293
Tax	12	**(100)**	**96**	**(4)**	(73)	65	(8)
Profit for the year		**365**	**122**	**487**	335	(50)	285
Attributable to:							
Non-controlling interests	33	**1**	**–**	**1**	3	–	3
Equity holders of the parent		**364**	**122**	**486**	332	(50)	282
		365	**122**	**487**	335	(50)	285
Earnings per share (cents)							
Basic	15	**150.4**		**200.8**	137.8		117.0
Diluted	15	**149.8**		**200.0**	137.2		116.5

1. Beginning in 2019, Sales and Marketing (S&M) and General and Administrative (G&A) expenses are reported under one-line item. In 2018, S&M and G&A were $224 million and $246 million, respectively

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 Core results $m	2019 Exceptional items and other adjustments (Note 6) $m	2019 Reported results $m	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Profit for the year		**365**	**122**	**487**	335	(50)	285
Other comprehensive income							
Items that may be reclassified subsequently to the consolidated income statement, net of tax:							
Currency translation gain/(loss)		**20**	**–**	**20**	(29)	–	(29)
Items that will not be reclassified subsequently to the consolidated income statement, net of tax:							
Change in investments at fair value through other comprehensive income (FVTOCI)	19	**(2)**	**–**	**(2)**	7	–	7
Total comprehensive income for the year		**383**	**122**	**505**	313	(50)	263
Attributable to:							
Non-controlling interests		**2**	**–**	**2**	1	–	1
Equity holders of the parent		**381**	**122**	**503**	312	(50)	262
		383	**122**	**505**	313	(50)	263

Consolidated balance sheet

At 31 December 2019

	Note	2019 $m	2018 $m
Non-current assets			
Goodwill	16	**282**	279
Other intangible assets	16	**552**	487
Property, plant and equipment	17	**912**	870
Right-of-use assets	34	**50**	–
Investment in associates and joint ventures	18	**11**	11
Deferred tax assets	13	**243**	125
Financial and other non-current assets	19	**32**	57
		2,082	1,829
Current assets			
Inventories	20	**568**	528
Income tax receivable		**79**	74
Trade and other receivables	21	**719**	731
Collateralised and restricted cash	22	**1**	–
Cash and cash equivalents	23	**442**	276
Other current assets	24	**39**	59
		1,848	1,668
Total assets		**3,930**	3,497
Current liabilities			
Short-term financial debts	25	**569**	74
Leases liabilities	34	**9**	1
Trade and other payables	26	**473**	465
Income tax provision		**82**	68
Other provisions	27	**23**	23
Other current liabilities	28	**315**	262
		1,471	893
Net current assets		**377**	775
Non-current liabilities			
Long-term financial debts	29	**48**	539
Leases liabilities	34	**59**	23
Deferred tax liabilities	13	**20**	16
Other non-current liabilities	31	**203**	329
		330	907
Total liabilities		**1,801**	1,800
Net assets		**2,129**	1,697
Equity			
Share capital	32	**41**	40
Share premium		**282**	282
Other reserves		**(179)**	(217)
Retained earnings		**1,973**	1,580
Equity attributable to equity holders of the parent		**2,117**	1,685
Non-controlling interests	33	**12**	12
Total equity		**2,129**	1,697

The consolidated financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, on pages 115 to 167 were approved by the Board of Directors on 26 February 2020 and signed on its behalf by:

Said Darwazah
Director
26 February 2020

Sigurdur Olafsson
Director

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Merger and revaluation reserves $m	Translation reserve $m	Own shares $m	Total other reserves $m	Retained earnings $m	Share capital $m	Share premium $m	Equity attributable to equity shareholders of the parent $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2018[1]	38	(227)	(1)	(190)	1,354	40	282	1,486	14	1,500
Profit for the year	–	–	–	–	282	–	–	282	3	285
Change in investments at FVTOCI (Note 19)	–	–	–	–	7	–	–	7	–	7
Currency translation loss	–	(27)	–	(27)	–	–	–	(27)	(2)	(29)
Total comprehensive income for the year	–	(27)	–	(27)	289	–	–	262	1	263
Total transactions with owners, recognised directly in equity										
Cost of equity-settled employee share scheme (Note 38)	–	–	–	–	21	–	–	21	–	21
Dividends on ordinary shares (Note 14)	–	–	–	–	(84)	–	–	(84)	(3)	(87)
Balance at 31 December 2018 and 1 January 2019	38	(254)	(1)	(217)	1,580	40	282	1,685	12	1,697
Impact of IFRIC 23[2]	–	–	–	–	2	–	–	2	–	2
Balance at 1 January 2019 as adjusted	38	(254)	(1)	(217)	1,582	40	282	1,687	12	1,699
Profit for the year[3]	20	–	–	20	466	–	–	486	1	487
Change in investments at FVTOCI (Note 19)	–	–	–	–	(2)	–	–	(2)	–	(2)
Currency translation gain	–	19	–	19	–	–	–	19	1	20
Total comprehensive income for the year	20	19	–	39	464	–	–	503	2	505
Total transactions with owners, recognised directly in equity										
Cost of equity-settled employee share scheme (Note 38)	–	–	–	–	24	–	–	24	–	24
Exercise of employees share scheme	(1)	–	–	(1)	–	1	–	–	–	–
Dividends on ordinary shares (Note 14)	–	–	–	–	(97)	–	–	(97)	(2)	(99)
Balance at 31 December 2019	**57**	**(235)**	**(1)**	**(179)**	**1,973**	**41**	**282**	**2,117**	**12**	**2,129**

1. The Group adopted IFRS 9 and IFRS 15 from 1 January 2018. The impact of IFRS 9 and IFRS 15 was $3 million and $25 million debit to retained earnings, respectively
2. The Group adopted IFRIC 23 as of 1 January 2019. The impact of adoption was a decrease of $2 million of the amount previously held for uncertain tax positions (Note 1)
3. A net impairment reversal of $20 million has been allocated from retained earnings to the merger and revaluation reserves in relation to Columbus business impairment reversal (Note 6 and 16)

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	2019 $m	2018 $m
Cash flows from operating activities			
Cash generated from operations	36	**580**	493
Income taxes paid		**(125)**	(63)
Income taxes received		**17**	–
Net cash inflow from operating activities		**472**	430
Cash flow from investing activities			
Purchases of property, plant and equipment		**(119)**	(107)
Proceeds from disposal of property, plant and equipment		**2**	13
Purchase of intangible assets		**(67)**	(32)
Investment in joint ventures		**–**	(4)
(Increase)/decrease in investment in financial and other non-current assets		**(1)**	4
Proceeds from sale of investment at FVTOCI		**12**	–
Additions of investments at FVTOCI		**(5)**	(4)
Acquisition of business undertakings net of cash acquired		**(8)**	(14)
Proceeds from investment divestiture		**2**	–
Contingent consideration receipt		**27**	45
Interest income received		**6**	3
Net cash outflow from investing activities		**(151)**	(96)
Cash flow from financing activities			
(Increase)/decrease in collateralised and restricted cash		**(1)**	3
Proceeds from issue of long-term financial debts		**19**	93
Repayment of long-term financial debts		**(11)**	(224)
Proceeds from short-term borrowings		**267**	138
Repayment of short-term borrowings		**(273)**	(148)
Repayment of lease liabilities		**(12)**	–
Dividends paid		**(97)**	(84)
Dividends paid to non-controlling shareholders of subsidiaries		**(2)**	(3)
Interest and bank charges paid		**(44)**	(51)
Payment to co-development and earnout payment agreement		**(1)**	(2)
Net cash outflow from financing activities		**(155)**	(278)
Net increase in cash and cash equivalents		**166**	56
Cash and cash equivalents at beginning of year		**276**	227
Foreign exchange translation movements		**–**	(7)
Cash and cash equivalents at end of year		**442**	276

Notes to the consolidated financial statements

1. Adoption of new and revised standards

The following new and revised Standards and Interpretations have been adopted in the current year. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group but may impact the accounting for future transactions and arrangements.

IFRS 16	Leases
IFRIC 23	Uncertainty over income tax treatments

IFRS 16

IFRS 16 was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal form of a Lease'.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (eg personal computers) and short-term leases (ie leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee recognises a liability to make lease payments (ie the lease liability) and an asset representing the right to use the underlying asset during the lease term (ie the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to remeasure the lease liability upon the occurrence of certain events (eg a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments).

The lessee generally recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Group has adopted IFRS 16, applying modified retrospective approach on 1 January 2019, and recognised right-of-use assets of $55 million (including $10 million reclassed from property, plant and equipment previously recognised as assets held under finance lease and offsetting accrued rent of $3 million) and lease liabilities of $48 million, the effect on the current year of adopting IFRS 16 is disclosed in Note 34.

IFRIC 23

IFRIC 23 'Uncertainty over income tax treatments' was issued in June 2017. The interpretation clarifies that if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter.

The Group adopted IFRIC 23 as of 1 January 2019 and reassessed the effect of uncertainty where applicable. The impact of adoption was a decrease of $2 million of the amount previously held for uncertain tax positions which was reflected in retained earnings.

2. Significant accounting policies

General information

Hikma Pharmaceuticals PLC is a public limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is given on page 176.

The Group's principal activities are the development, manufacturing, marketing and selling of a broad range of generic, branded and in-licensed pharmaceuticals products in solid, semi-solid, liquid and injectable final dosage forms.

Basis of preparation

Hikma Pharmaceuticals PLC's consolidated financial statements are prepared in accordance with:

(i) EU endorsed International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Standards Interpretations Committee and those parts of the Companies Act 2006 as applicable to companies using IFRS.

(ii) International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation to fair value of certain financial assets and liabilities.

The accounting policies included in this note have been applied consistently other than where new policies have been adopted.

The Group's previously published consolidated financial statements were also prepared in accordance with IFRSs issued by the IASB and also in accordance with IFRSs adopted for use in the European Union.

The presentational and functional currency of Hikma Pharmaceuticals PLC is the US dollar as the majority of the Company's business is conducted in US dollars.

Going concern

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence and therefore considered the going concern basis as appropriate. Therefore, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements (see page 51).

Basis of consolidation

The consolidated financial statements incorporate the results of Hikma Pharmaceuticals PLC (the Company) and entities controlled by the Company (together the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements include:

- the assets and liabilities, results and cash flows of the Company and its subsidiaries, (entities that are controlled by the Group, through the power of governing the financial and operating policies to obtain benefits from its activities)
- the Group's share of the results and net assets of joint ventures

2. Significant accounting policies continued

The consolidated financial statements of entities are made up to 31 December each year.

Interests acquired in entities are consolidated from the date the Group acquires control and interests sold are de-consolidated from the date control ceases.

Goodwill is capitalised as a separate item in the case of subsidiaries and as part of the cost of investment in the case of joint ventures and associates.

Transactions and balances between subsidiaries are eliminated and no profit before tax is taken on sales between subsidiaries until the products are sold to customers outside the Group.

Transactions with non-controlling interests are recorded directly in equity.

Deferred tax relief on unrealised intra-group profit is accounted for only to the extent that it is considered recoverable.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. All identifiable assets, liabilities and contingent liabilities acquired are measured at fair value on the acquisition date. All acquisition related costs are recognised in the consolidated income statement as incurred.

The consideration is measured at the aggregate fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, at the acquisition date. Where applicable, this consideration may include the fair value of assets or liabilities resulting from a contingent consideration arrangement.

Contingent consideration classified as an asset or liability is a financial investment and, within the scope of IFRS 9 'Financial Instruments', is measured at fair value, with changes in fair value recognised in consolidated income statement in line with IFRS 9.

Subsequent changes to those fair values can only affect the measurement of goodwill, where they occur during the 'measurement period' and are as a result of additional information becoming available about facts and circumstances that existed at the acquisition date. All other changes are dealt with in accordance with relevant IFRSs. This will usually mean that changes in the fair value of consideration are recognised in the consolidated income statement.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (ie the date the Group attains control). The resulting gain or loss, if any, is recognised in the consolidated income statement.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the aggregate of consideration, non-controlling interest and fair value of previously held equity interest over the fair values of the identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the consideration, the excess is recognised immediately in the consolidated income statement.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Investment in associates and joint ventures

An associate is an entity which the Group has significant influence over, where the Group has the power to participate in the financial and operating policy decisions of the investee revenue.

Joint ventures are entities that the Group has the ability to exercise joint control over their economic activities and net assets.

The results and assets and liabilities of associate and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, where the investments are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any impairment charges are recognised immediately in the consolidated income statement.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. The aggregate of Groups' share of profit or loss of an associate and a joint venture is shown on the face of the consolidated income statement outside operating profit and represents profit after tax.

Foreign currencies

Foreign currency transactions, being transactions denominated in a currency other than an individual Group entity's functional currency, are translated into the relevant functional currencies of individual Group entities at average rates for the relevant monthly accounting periods, which approximate to actual rates. Monetary assets and liabilities arising from foreign currency transactions are retranslated at exchange rates prevailing at the reporting date. Exchange gains and losses on loans and on short-term foreign currency borrowings and deposits are included within finance income and expense. Exchange differences on all other foreign currency transactions are recognised in operating profit in the individual Group entity's accounting records. Non-monetary items arising from foreign currency transactions are not retranslated in the individual Group entity's accounting records. In the Consolidated Financial Statements, income and expense items for Group entities with a functional currency other than US dollars are translated into US dollars at average exchange rates, which approximate to actual rates, for the relevant accounting periods. Assets and liabilities are translated at the US dollar exchange rates prevailing at the reporting date.

2. Significant accounting policies continued

Exchange differences arising on consolidation are recognised in the consolidated statement of other comprehensive income.

Hyperinflationary economies

In hyperinflationary economies, when translating the results of operations into US dollars, assets, liabilities, income statement and equity accounts are translated at the rate prevailing on the balance sheet date. Sudan was considered as a hyperinflationary economy in the year ended 31 December 2019 in which the rate prevailing was 45.2284 Sudanese pound per US dollar as of 31 December 2019. The effect of inflation accounting in Sudan for the year ended 31 December 2019 was not material.

Revenue recognition

Under IFRS 15 revenue is recognised in the consolidated income statement when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer.

The Group manufactures certain medicines on behalf of the customers. The revenue from providing contract manufacturing services is recognised when these medicines are approved by the quality control department. There is no alternative use of these medicines and also the Group has enforceable right to payments once these medicines are quality approved.

The Group has generally concluded that it acts as principal in its revenue arrangements because it typically controls the goods or services before the transfer to customer.

Revenue represents the amounts receivable after the deduction of discounts, value added tax, other sales taxes, allowances given, provisions for chargebacks and accruals for estimated future rebates, returns and price adjustments. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and historical information.

Dynamic market changes can generate uncertainty as to the ultimate net selling price of a pharmaceutical product and therefore revenue cannot always be measured reliably at the point when the product is supplied or made available to external customers.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Variable consideration

The ultimate net selling price is calculated using variable consideration estimates for certain gross to net adjustments.

Chargebacks

The provision for chargebacks is the most significant and complex estimate used in the recognition of revenue. In the US, the Group sells its products directly to wholesale distributors, generic distributors, retail pharmacy chains and mail-order pharmacies. The Group also sells its products indirectly to independent pharmacies, managed care organisations, hospitals, and group purchasing organisations, collectively referred to as 'indirect customers'. The Group enters into agreements with its indirect customers to establish pricing for certain products. The indirect customers then independently select a wholesaler from which they purchase the products at agreed-upon prices.

The Group will provide credit to the wholesaler for the difference between the agreed-upon price with the indirect customer and the wholesaler's invoice price. This credit is called a chargeback. The provision for chargebacks is based on historical sell-through levels by the Group's wholesale customers to the indirect customers, and estimated wholesaler inventory levels. As sales are made to large wholesale customers, the Group continually monitors the reserve for chargebacks and makes adjustments when it believes that actual chargebacks may differ from estimated reserves (see Note 21 for chargebacks sensitivity analysis).

Returns

The Group has a product return policy that allows customers to return the product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognised as a reduction of revenue in the period in which the underlying sales are recognised.

The Group estimates its provision for returns based on historical experience, representing management's best estimate. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Group continually monitors the provisions for returns and makes adjustments when it believes that actual product returns may differ from established reserves (see Note 28 for return sensitivity analysis).

Rebates

In the US, rebates are granted to wholesaler distributers and direct customers. Rebates are also granted to healthcare authorities and under contractual arrangements with certain indirect customers. Products sold in the US are covered by various programmes (such as Medicaid) under which products are sold at a discount.

The Group estimates its provision for rebates based on current contractual terms and conditions as well as historical experience, changes to business practices and credit terms. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future rebate liabilities. The Group continually monitors the provisions for rebates and makes adjustments when it believes that actual rebates may differ from established reserves. All rebates are recognised in the period in which the underlying sales are recognised as a reduction of revenue (see Note 21 and 28 for rebates sensitivity analysis).

Price adjustments

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

2. Significant accounting policies continued

Customer option that provides a material right

Free goods

Free goods are issued to customers as sale incentives. Under IFRS 15 an option to acquire additional goods or services gives rise to a separate performance obligation, if the option provides a material right that the customer would not receive without entering into that contract. IFRS 15 requires management to estimate the transaction price to be allocated to the separate performance obligations and to recognise a contract liability for the performance obligations that will be satisfied in the future. The Group recognises revenue for the option when those future goods or services are transferred to the customer.

Share-based payments

At the Company's discretion and subject to the achievement of Group and personal performance criteria, employees (including Executive Directors) of the Group receive performance remuneration in the form of share-based payments, whereby employees render their services in exchange for shares or rights over shares (equity-settled transactions) under either the 2014 Executive Incentive Plans (EIP) or the 2009 and 2018 Management Incentive Plan (MIP) and the 2007 Long-Term Incentive Plan (LTIP) noting that the last grant was issued in 2014).

IFRS 2 'Share-Based Payments' requires an expense to be recognised when the Group buys goods or services in exchange for shares or rights over shares (share-based payments) or in exchange for other equivalent assets.

The cost of share-based payments' transactions with employees is measured by reference to the fair value at the date at which the share-based payments are granted. The fair value of the EIP and MIP are determined based on the share price as at the date of grant discounted by dividend yield.

The expected life used in the models applied to fair value the EIPs and MIPs have 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 38). In valuing share-based payments, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of Hikma Pharmaceuticals PLC.

The cost of share-based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period based on the Group's estimate of equity instruments that will eventually vest. The Group revises its estimate of the number of equity instruments expected to vest and the impact of the revision of the original estimates, if any, is recognised in the consolidated income statement, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. Where the terms of share-based payments award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the modification date. Where a share-based payments award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for a cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

The dilutive effect of outstanding share-based payments is reflected as additional share dilution in the computation of diluted earnings per share.

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.

Dividend income

Income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

- Right-of-use assets: The Group recognises right-of-use assets at the commencement date of the lease (ie the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain or obtaining ownership of leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Right of use of assets are depreciated on a straight-line basis at the following depreciation rates:

Buildings	5% to 50%
Vehicles	25% to 86%

- Lease liabilities: at the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The discount rate used to calculate the lease liabilities is the incremental borrowing rate (IBR) the Group estimates it using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit profile)
- Short-term leases and leases of low-value assets: the Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (ie below $5,000). A lease payment on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term

2. Significant accounting policies continued

Tax

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

The tax expense represents the sum of the current tax in the current period and deferred tax.

The current tax incurred in the period is based on taxable profit for the year and prior year movement accounted for in the current year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's tax incurred is calculated using tax rates that have been enacted or substantively enacted by the consolidated 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 consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the consolidated 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 reverse. To the extent the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, no deferred tax is provided.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each consolidated 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 booked on unrealised intercompany profits on inventory sales, to the extent they are expected to unwind, at the rate applicable to the distribution company. Where there is a significant difference between the tax rates of the relevant companies, this creates deferred tax that can materially impact the Group's effective tax rate. In 2019, this had a 0.5% favourable impact on the effective tax rate (2018: 1.3% favourable).

Exceptional items and other adjustments

We use a number of non-IFRS measures to report and monitor the performance of our business. Management uses these adjusted numbers internally to measure our progress and for setting performance targets. We also present these numbers, alongside our reported results, to external audiences to help them understand the underlying performance of our business. Our adjusted numbers may be calculated differently to other companies.

Adjusted measures are not substitutable for IFRS numbers and should not be considered superior to results presented in accordance with IFRS.

Core results

Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items that mask the underlying performance of the Group. To provide a more complete picture of the Group's performance to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. Reconciliation between core and reported results are provided in our consolidated financial statements.

Our core results exclude the exceptional items and other adjustments set out in Note 6 in the notes to the consolidated financial statements.

Exceptional items

Exceptional items represent adjustments for costs and profits which management believes to be exceptional in nature by virtue of their size or incidence, or have a distortive effect on current year earnings, such as costs associated with business combinations, one-off gains and losses on disposal of businesses assets, reorganisation costs, write-down and impairment charges/reversal on assets and impairment of goodwill, net of any tax impact.

Other adjustments

These include amortisation of intangibles excluding software and finance cost resulted from remeasurement of contingent consideration, financial liability and asset, net of any tax impact.

Both exceptional items and other adjustments are excluded from core results to improve comparability and consistency of our consolidated financial statements which is consistent with our industry peers. We represent and discuss our Group and segmental financials reconciled between reported and core results. This presentation allows for full visibility and transparency of our financials so that shareholders are able to clearly assess the performance factors of the Group.

The basis of determining exceptional items and other adjustments did not change from prior year.

2. Significant accounting policies continued

Intangible assets

An intangible asset is recognised if all the below conditions are met:

- it is identifiable
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group
- the cost of the asset can be measured reliably

The probability of expected future economic benefits is assessed using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset and are amortised on a straight-line basis on the following amortisation rates:

Customer relationships	7%
Product related intangibles	7% to 14%
Trade names	10%
Marketing rights	10% to 50%
Software	10% to 30%

Judgement is used to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

Expenditures on research and development activities are charged to the consolidated income statement, except only when the criteria for recognising an internally generated intangible asset is met, which is usually when approval from the relevant regulatory authority is considered probable.

Also, the Group engages with third-party research and development companies to develop products on its behalf. Substantial payments made to such third parties to fund research and development efforts are recognised as intangible assets if the capitalisation criteria for recognising an intangible asset is met, which typically is when licence fees and certain milestone payments are made, all other payments are charged to the consolidated income statement.

Principal intangible assets are:

(a) **Goodwill**: arising in a business combination and is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the consolidated income statement on disposal.

(b) **Product related intangibles:**

(i) In process product files recognised on acquisition are amortised over the useful economic life once the asset is ready for use.

(ii) Product files and under-licensed products recognised through acquisitions, and from development activities are amortised over their useful economic lives once the asset is ready for use.

(c) **Purchased software**: is amortised over the useful economic life when the asset is ready for use.

Other identified intangibles are:

(d) **Customer relationships**: represent the value attributed to the long-term relationships held with existing customers at the date of acquisition and are amortised over their useful economic life.

(e) **Trade names**: are amortised over their useful lives from the date of acquisition.

(f) **Marketing rights**: are amortised over their useful lives commencing in the year in which the rights first generate sales.

Property, plant and equipment

Property, plant and equipment have been stated at cost on acquisition and are depreciated on a straight-line basis except for land at the following depreciation rates:

Buildings	2% to 5%
Machinery and equipment	5% to 33%
Vehicles, fixtures and equipment	8% to 33%

A unit of production method of depreciation is applied to operations in their start-up phase, as this reflects the expected pattern of consumption of the future economic benefits embodied in the assets. When these assets are fully utilised, a straight-line method of depreciation is applied.

Projects under construction are not depreciated until construction has been completed and assets are considered ready for use.

Any additional costs that extend the useful life of property, plant and equipment are capitalised.

Whenever the recoverable amount of an asset is impaired, the carrying value is reduced to the recoverable amount and the impairment loss is taken to the consolidated income statement. Projects under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

2. Significant accounting policies continued

Impairment of property, plant and equipment and intangible assets

At the same time each year, the Group carries out an impairment review for goodwill and intangible assets that are not yet ready for use. At the year end, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets that are subject for depreciation and amortisation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). In consideration of the impairment review, the Group compares the carrying value of the asset to its recoverable amount.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit (CGU)) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

When an impairment loss for the asset, other than goodwill, subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. However, the increased carrying amount should not exceed the carrying amount that would have been determined had there been no impairment in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement. In line with IAS 36, previously recognised impairment losses on goodwill are not reversed. see Note 16.

The Group's goodwill and intangible assets are tested as follows:

(a) Goodwill is allocated to each of the Group's cash-generating units. These cash-generating units are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The assumptions used and sensitivity analysis in the impairment tests are set out in Note 16.

(b) Intangible assets that are not yet ready for use are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Purchased products are stated at acquisition cost including all additional attributable costs incurred in bringing each product to its present location and condition. The costs of own-manufactured products comprise of direct materials and, where applicable, direct labour costs and any overheads that have been incurred in bringing the inventories to their present location and condition. In the consolidated balance sheet, inventory is primarily valued at standard cost, which approximates to historical cost determined on a moving average basis, and this value is used to determine the cost of sales in the consolidated income statement. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs necessary to make the sale. Inventory related provisions are made for net realisable value lower than cost, slow moving and short dated inventory.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and highly liquid investments with maturities within three months or less. Money market funds comprise of investment in funds that are subject to insignificant risk of changes in fair value and can be readily converted into cash.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets in the following measurements categories:

(i) Financial assets at FVTPL

Listed shares, debt instruments and investment portfolios held by the Group that are traded in an active market are classified as being financial assets at FVTPL and are stated at fair value. Gains and losses arising from changes in fair value are recognised in the consolidated Income Statement, see Note 24.

(ii) Financial assets at FVTOCI

The Group's investments in unlisted shares through its venture capital are stated at FVTOCI with no recycling of cumulative gains or losses upon de-recognition, see Note 19.

(iii) Financial assets at amortised cost

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Financial assets at amortised cost'. These receivables include the reimbursements of certain contingent payments in respect to milestones loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2. Significant accounting policies continued

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit loss. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities
Financial liabilities are classified in two categories: financial liabilities 'at FVTPL' or 'Loans and Borrowings'. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

(i) Financial liabilities at FVTPL
The Group currently has two financial liabilities at FVTPL as below:

- co-development and earn out payment agreements with third parties where the Group earns milestone payments reflecting the achievement of research and development; and commercialisation milestones. Those payments are recognised as financial liabilities once received
- contingent consideration arising from the Columbus business acquisition represent contractual liabilities to make payments to third parties in the form of milestone payments that are dependent on the achievement of certain US FDA approval milestones; and royalty payments based on future sales of certain products that are currently under development

Financial liabilities are revalued at the end of each reporting period to represent the value of expected future cash outflows and the difference is presented as finance cost/income. These financial liabilities are currently booked under other non-current liabilities and other current liabilities in the consolidated balance sheet.

(ii) Loans and borrowings
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest method.

The effective interest method is used for calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The calculation of effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

Restructuring provisions
Restructuring provisions are recognised only when the Group has a constructive obligation, which is when:

(i) There is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline;

(ii) The employees affected have been notified of the plan's main features

Decommissioning provisions
The Group records a provision for decommissioning costs of a manufacturing facility. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated income statement as a finance expense. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Own shares
The Group provide finance to the trustee of the Employee Benefit Trust (EBT) which is Link Market Apex Financial Services (Trust Company) Limited. Own shares are deducted from equity. These shares are held to be used to satisfy long-term commitments arising from the employee share plan operated by the Company.

Cash dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. In accordance with the laws of the United Kingdom, a final dividend is binding on the Company when it is approved by the shareholders and an interim dividend obtains this status when it is approved by the Board of Directors.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group's Directors believe that the following accounting policies that involve Directors' judgements and estimates are the most critical to understanding and evaluating the Group's financial results.

Revenue recognition estimate (Notes 4 and 5)

The Group's revenue recognition policies require Directors to make estimates of the net selling price, which is made complicated due to chargebacks, product returns and rebates. These arrangements vary by product arrangements and buying groups. Refer to Note 2 for more details on each of the underlying estimates.

Goodwill (Note 16)

Testing for impairment of goodwill and other assets included within a CGU to establish the appropriate valuation of the CGU. The valuation is used for comparison to the carrying value of the net assets of the CGU and requires the following key judgements and estimates:

Critical judgement

- Determination of the cash generating units (CGU)

Critical estimate

- Estimating a five-year business plan for purposes of forecasting free cash flows which involves forecasting appropriate sales and operating expenses taking into considerations both internal and external information
- Estimating future capital expenditures and working capital requirements over the five-year period
- Estimating a discount rate that appropriately reflects the Group's weighted average cost of capital (WACC) as adjusted for specific risk premiums reflecting risks inherent in achieving the projected future cash flows
- Estimating appropriate terminal growth rate beyond the forecast period

Acquired intangible assets (Note 16)

Valuing intangible assets upon initial recognition as at the acquisition date and testing for impairment require the following judgement and estimates:

Critical judgement

- For pipeline products, establishing the launch date and probability of a successful product approval are critical judgements
- Determining whether a 'triggering event' has occurred for intangible assets. In such case we first assess the qualitative factors to determine whether it is more likely than not that the fair value of the intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test
- For previously impaired assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased, if such indication exists, the Group estimates the asset's or CGU's recoverable amount. Refer to Note 2 & 16 for more details

Critical estimate

- Estimating revenue forecasts (including market size, estimated expected market share, number of competitors and net selling prices)
- Estimating the expected economic useful lives of the product-related intangibles
- Estimating the sales and the allocation of marketing, research and development and other operating costs to the individual product-related intangibles
- Estimating a contributory asset charge (on working capital, fixed assets and workforce)
- Estimating a discount rate and specific risk premiums
- The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 16

Contingent consideration

The determination of the fair value of contingent consideration is based on discounted cash flows. The critical estimate and assumptions taken into consideration for contingent consideration fair valuation are same as described in acquired intangibles assets' above (See Note 28 and 31).

3. Critical accounting judgements and key sources of estimation uncertainty continued

Taxation (Notes 12 and 13)

Critical judgements in applying the Group's accounting policies

The following are the critical tax related judgements, apart from those involving estimations (which are dealt with separately below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

Recognition of deferred tax assets

The recognition of deferred tax assets is based on the current forecast of taxable profits arising in the jurisdiction in which the deferred tax asset arises. A deferred tax asset is recognised to the extent that there are forecast taxable profits within a reasonable period. The Group has a potential deferred tax asset of $281 million (2018: $219 million), of which $243 million (2018: $125 million) has been recognised. In 2019, as part of the internal reorganisation of intangible assets, a deferred tax asset was set up due to the higher amortisable base resulting in a higher tax deduction. The significant decrease of unrecognised deferred tax assets is due to the utilisation of previously unrecognised carried forward losses during the year and the expiration of $92 million of losses in the UK.

This exercise is reviewed each year and, to the extent forecasts change, an adjustment to the recognised deferred tax asset may be made.

Recognition of deferred tax assets is driven by the Group's ability to utilise the deferred tax asset which is reliant on forecast taxable profits arising in the jurisdiction in which losses are incurred.

Key sources of estimation uncertainty

The Group has the following key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Tax audit risk

In common with most international organisations, the Group is subject to audit from revenue authorities from time to time. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made, management provides for its best estimate of the liability. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as new facts emerge and each dispute progresses. Hikma continues to invest in its financial systems to ensure the quality of the Group's financial data which reduces the risk of an adverse revenue authority audit. Furthermore, Hikma continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments and audits. Where open issues exist, the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of negotiations with the relevant tax authorities or, if necessary, litigation proceedings.

Other risks

In addition to tax audits, the Group faces other potential tax risks that could affect the sustainability of the Group's effective tax rate. The main risks are noted below. Hikma regularly takes professional advice to ensure the risks mentioned below are appropriately analysed and managed with any ultimate potential liability being adequately provided.

Transfer pricing risk

The transfer pricing risk can arise from a difference in view over the pricing of cross-border, intercompany product sales and services and of sales of assets. The standard by which most authorities, and the Group, assess the transfer price is whether it is set at arm's length. An upward adjustment by the tax authority of one territory will not necessarily result in the downward adjustment by the other territory, potentially leading to an increased estimated tax cost through a mismatch of tax deductions and taxable income, as well as a potential increase arising out of a rate arbitrage. The Group has considered the risk in detail and has provided for potential tax adjustments so does not believe that any adjustment will materially impact the rate going forward.

Valuation risk

As part of a reorganisation following the Columbus business acquisition in 2016 and the 2019 business restructuring, certain assets and liabilities were transferred intra-Group with external valuations obtained. If these valuations are successfully challenged by relevant tax authorities, it could adversely impact the tax recorded on the reorganisation.

Sensitivity

As at the consolidated balance sheet date, the Group held an aggregate provision in the sum of $53 million in respect of liabilities likely to arise from the above estimation uncertainties. Hikma released $9 million in 2019 due to the statute of limitations and released $12 million following adjustments to the tax returns. This was offset by new provisions and updates of $7 million booked in 2019. In 2020, up to $5 million could be released primarily on the same grounds. If all areas of uncertainty were audited and all areas resulted with an adverse outcome, management does not believe any material additional tax would be payable beyond what is provided.

Contingent liabilities

The promotion, marketing and sale of pharmaceutical products and medical devices is highly regulated and the operations of market participants, such as Hikma, are closely supervised by regulatory authorities and law enforcement agencies, including the FDA and the US Department of Justice. As a result, the Group is subject to certain investigations by governmental agencies, as well as other various legal proceedings considered typical to its business relating to employment, product liability and commercial disputes (see Note 37).

The critical areas of judgement in relation to contingent liabilities is as follows:

- a possible obligation depending on whether some uncertain future event occurs in relation to legal proceedings and/or governmental agencies investigations
- a present obligation but payment is not probable where Hikma denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defence of legal proceedings
- a present obligation but the amount cannot be measured reliably

4. Revenue from contracts with customers

Business and geographical markets:

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

Year ended 31 December 2019	Branded $m	Injectables $m	Generics $m	Others $m	Total $m
United States	–	640	719	–	1,359
Middle East and North Africa	567	146	–	6	719
Europe and rest of the world	16	101	–	5	122
United Kingdom	–	7	–	–	7
	583	894	719	11	2,207

Year ended 31 December 2018	Branded $m	Injectables $m	Generics $m	Others $m	Total $m
United States	–	601	692	–	1,293
Middle East and North Africa	531	120	–	5	656
Europe and rest of the world	11	100	–	5	116
United Kingdom	–	5	–	–	5
	542	826	692	10	2,070

The top selling markets in 2019 are as below:

	2019 $m	2018 $m
United States	1,359	1,293
Saudi Arabia	204	170
Egypt	114	97
	1,677	1,560

Included in revenue arising in the Generics and Injectables segments are revenue of approximately $323 million (2018: $309 million) which arose from the Group's largest customer which is located in the United States.

The following table provides contract balances related to revenue:

	2019 $m	2018 $m
Trade receivables (Note 21)	637	654
Contract liability (Note 28)	142	151

Trade receivables are non-interest bearing and typical credit terms in the US range from 30 to 90 days, in Europe 30 to 120 days, and in MENA 180 to 360 days.

Contract liability mainly relates to returns provisions and free goods balance.

5. Business segments

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

Core operating profit, defined as 'segment result', is the principal measure used in the decision-making and resource allocation process of the chief operating decision maker, who is the Group's Chief Executive Officer.

Information regarding the Group's operating segments is reported below:

Injectables	**2019 Core results $m**	**2019 Exceptional items and other adjustments (Note 6) $m**	**2019 Reported results $m**	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Revenue	**890**	**4**	**894**	832	(6)	826
Cost of sales	**(371)**	**–**	**(371)**	(329)	–	(329)
Gross profit	**519**	**4**	**523**	503	(6)	497
Total operating expenses	**(181)**	**(22)**	**(203)**	(168)	(24)	(192)
Segment result	**338**	**(18)**	**320**	335	(30)	305

Generics	**2019 Core results $m**	**2019 Exceptional items and other adjustments (Note 6) $m**	**2019 Reported results $m**	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Revenue	**719**	**–**	**719**	692	–	692
Cost of sales	**(393)**	**–**	**(393)**	(397)	(16)	(413)
Gross profit	**326**	**–**	**326**	295	(16)	279
Total operating expenses	**(202)**	**27**	**(175)**	(202)	(37)	(239)
Segment result	**124**	**27**	**151**	93	(53)	40

5. Business segments continued

Branded	2019 Core results $m	2019 Exceptional items and other adjustments (Note 6) $m	2019 Reported results $m	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Revenue	**583**	**–**	**583**	542	–	542
Cost of sales	**(287)**	**–**	**(287)**	(271)	–	(271)
Gross profit	**296**	**–**	**296**	271	–	271
Total operating expenses	**(167)**	**(24)**	**(191)**	(154)	(6)	(160)
Segment result	**129**	**(24)**	**105**	117	(6)	111

Others[1]	2019 Core results $m	2019 Exceptional items and other adjustments (Note 6) $m	2019 Reported results $m	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Revenue	**11**	**–**	**11**	10	–	10
Cost of sales	**(8)**	**–**	**(8)**	(7)	–	(7)
Gross profit	**3**	**–**	**3**	3	–	3
Total operating expenses	**(3)**	**–**	**(3)**	(8)	–	(8)
Segment result	**–**	**–**	**–**	(5)	–	(5)

1. Others mainly comprises Arab Medical Containers LLC, International Pharmaceutical Research Center LLC, Hikma Emerging Markets and Asia Pacific FZ LLC, and the chemicals division of Hikma Pharmaceuticals LLC (Jordan)

Group	2019 Core results $m	2019 Exceptional items and other adjustments (Note 6) $m	2019 Reported results $m	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Segment result	**591**	**(15)**	**576**	540	(89)	451
Unallocated expenses[1]	**(83)**	**–**	**(83)**	(80)	–	(80)
Operating profit	**508**	**(15)**	**493**	460	(89)	371
Finance income	**7**	**60**	**67**	3	–	3
Finance expense	**(52)**	**(15)**	**(67)**	(54)	(26)	(80)
Gain/(loss) from investment at FVTPL	**2**	**–**	**2**	(1)	–	(1)
Loss from investment divestiture	**–**	**(4)**	**(4)**	–	–	–
Profit before tax	**465**	**26**	**491**	408	(115)	293
Tax	**(100)**	**96**	**(4)**	(73)	65	(8)
Profit for the year	**365**	**122**	**487**	335	(50)	285
Attributable to:						
Non-controlling interests	**1**	**–**	**1**	3	–	3
Equity holders of the parent	**364**	**122**	**486**	332	(50)	282
	365	**122**	**487**	335	(50)	285

1. Unallocated corporate expenses mainly comprises employee costs, third-party professional fees, IT and travel expenses

6. Exceptional items and other adjustments

Exceptional items and other adjustments are disclosed separately in the consolidated income statement to assist in the understanding of the Group's core performance.

Exceptional items	**2019 $m**	2018 $m
R&D cost	**(24)**	(29)
Jordan warehouse fire incident	**(13)**	–
Proceeds from legal claim	**32**	–
Contingent consideration adjustment	**7**	–
MENA severance and restructuring costs	**(7)**	–
Integration costs	**4**	(30)
Loss from investment divestiture	**(4)**	–
Impairment reversal of product related intangibles, net	**20**	–
Tax benefit associated with previously unrecognised deferred tax assets	**49**	43
Tax benefit associated with the internal reorganisation of intangible assets	**48**	–
Prior year favourable US tax ruling	**–**	13
Exceptional items	**112**	(3)
Other adjustments		
Intangible assets amortisation other than software	**(34)**	(30)
Remeasurement of contingent consideration, financial liability and asset, net	**45**	(26)
Exceptional items and other adjustments	**123**	(59)
Tax effect	**(1)**	9
Impact on profit for the year	**122**	(50)

Exceptional items have been recognised in accordance with our accounting policy outlined in Note 2, the details are presented below:

Exceptional items

- Hikma incurred $24 million of research and development costs related to a repeat clinical endpoint study for generic Advair Diskus®. The study was completed in November 2019. The study and certain additional information was submitted to the US FDA for their review
- During the year, a fire broke out in a warehouse at one of Hikma's Jordan facilities which serves the Generics and Branded segments. Production was halted for a period of time and inventory was damaged. The associated loss was $17 million, mainly comprising damaged inventory and the cost to remediate property, plant and equipment. To date, the Group has received insurance compensation of $4 million related to the fire incident resulting in a net exceptional expense of $13 million included in other operating income/(expenses). The Group expects to receive final insurance compensation in 2020 and the amount receivable related to this contingent asset cannot be measured reliably and is dependent on the final outcome of the insurance claim
- Hikma received compensation proceeds of $32 million in relation to a litigation matter with an external party where one of Hikma's product's sales were halted by a temporary restraining order and an injunction. The litigation was resolved in Hikma's favour and a payment was received from the plaintiff representing lost profit over the affected time period. This is included in other operating income/(expenses)
- The contingent consideration adjustment of $7 million relates to a change in estimate of the amount of expected contingent payments Hikma was entitled to receive under the terms of the Columbus acquisition agreement. This is included in other operating income/(expenses) and in cash flow from investing activities
- MENA severance and restructuring costs of $7 million related to one-off organisational restructuring in MENA and are mainly included in selling, general and administrative expenses (SG&A). Management expects to incur further costs in 2020 of approximately $5 million
- A provision of $4 million in relation to integration costs of the Columbus business and the consolidation of the distribution centre in the US was released. This was previously provided for in 2018 as exceptional items included in revenue
- $4 million loss from divestiture of Medlac investment (Note 42)
- $21 million impairment reversal of product related intangibles related to specific product related assets in Generics segment offset by $1 million impairment charge. This is included in other operating income/(expenses)
- The Group has benefitted $49 million from the utilisation of previously unrecognised deferred tax assets following the internal reorganisation of intangible assets (Note 12)
- The Group has recorded a $48 million tax benefit associated with the internal reorganisation of intangible assets (Note 12)

6. Exceptional items and other adjustments continued

In the previous year, exceptional items and other adjustments were related to the following:

- During 2018, Hikma incurred $29 million of research and development costs related to a repeat clinical endpoint study for generic Advair Diskus®. In 2017, Hikma recognised a $29 million contingent consideration gain from Boehringer Ingelheim as compensation for failure to receive FDA approval of generic Advair Diskus® before 24 December 2017. To obtain approval, the FDA requires the completion of an additional clinical endpoint study. Both the compensation and repeat clinical study cost have been treated as exceptional items
- Integration and other costs were incurred in relation to the restructuring of our Columbus manufacturing facility and the closure of Eatontown manufacturing facility, in addition to the consolidation of the distribution centre in the US, of which $6 million is included in revenue, $16 million is included in cost of sales, $2 million in sales and marketing, $1 million in general and administrative and $5 million in other operating expenses
- Tax benefit of $43 million associated with prior year impairment loss recognised in 2018
- The prior year favourable US tax ruling of $13 million relates to the benefit associated with a change in the tax reporting for chargebacks in the US

Other adjustments

Remeasurement of contingent consideration, financial liability and asset represents the net difference resulting from the valuation of the liabilities and assets associated with the future contingent payments receivables in respect of the Columbus business acquisition and the financial liability in relation to the co-development earnout payment agreement (Notes 10,11, 24, 28 and 31). The remeasurement is included in finance (expense)/income.

7. Audit remuneration

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

	2019 $m	2018[2] $m
Audit of the Company's annual accounts	**0.8**	0.7
Audit of the Company's subsidiaries pursuant to legislation	**1.7**	1.8
Total audit fees	**2.5**	2.5
Assurance services[1]	**0.2**	0.2
Total audit and assurance fees	**2.7**	2.7

1. Assurance services relate to review procedures in respect to the interim financial information
2. Amounts have been restated to reflect final amounts billed in relation to 2018

Nominal non-audit fees were charged in both years. In 2019 non-audit fees relate to a non-audit assurance engagement in connection with a statement of completeness of sales packaging brought to market in Germany. In 2018, non-audit fees relate to subscriptions to a technical accounting portal, general training and services required to be performed by the incumbent in Ireland.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 69 to 72 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

8. Staff costs

The average monthly number of employees (including Executive Directors) is:

	2019 Number	2018 Number
Production	**4,818**	4,634
Sales and marketing	**2,180**	2,246
General and administrative	**1,130**	1,158
Research and development	**450**	375
	8,578	8,413

8. Staff costs continued

	2019 $m	2018 $m
Aggregate remuneration comprised:		
Wages, salaries and bonuses	**356**	346
Social security costs	**36**	32
Post-employment benefits	**14**	13
End of service indemnity	**13**	18
Share-based payments (Note 38)	**24**	21
Car and housing allowances	**21**	20
Health insurance	**34**	38
Other costs and employee benefits	**22**	18
	520	506

9. Other operating expense/income

Other operating expense	2019 Core results $m	2019 Exceptional items and other adjustments (Note 6) $m	2019 Reported results $m	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Inventory related provisions	**49**	**11**	**60**	62	–	62
Impairment charge	**2**	**1**	**3**	8	2	10
Damage of property, plant and equipment	**–**	**3**	**3**	–	3	3
Forex losses (net)	**4**	**–**	**4**	5	–	5
Others	**5**	**–**	**5**	–	–	–
	60	**15**	**75**	75	5	80

Other operating income[1]	2019 Core results $m	2019 Exceptional items and other adjustments (Note 6) $m	2019 Reported results $m	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Impairment reversal	**–**	**21**	**21**	–	–	–
Others	**3**	**40**	**43**	7	–	7
	3	**61**	**64**	7	–	7

1. In 2019, the other operating income of $43 million mainly comprised $32 million related to a litigation matter with an external party, which was concluded in Hikma's favour and $7 million related to a change in estimate of the amount of expected contingent payments Hikma was entitled to receive under the terms of the Columbus acquisition agreement

10. Finance income

	2019 Core results $m	2019 Exceptional items and other adjustments (Note 6) $m	2019 Reported results $m	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Interest income	**6**	**–**	**6**	3	–	3
Remeasurement of contingent consideration and financial liability	**–**	**60**	**60**	–	–	–
Net foreign exchange gain	**1**	**–**	**1**	–	–	–
	7	**60**	**67**	3	–	3

11. Finance expense

	2019 Core results $m	2019 Exceptional items and other adjustments (Note 6) $m	2019 Reported results $m	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Interest on bank overdrafts and loans	**13**	**–**	**13**	18	–	18
Interest on Eurobond	**22**	**–**	**22**	22	–	22
Remeasurement of contingent consideration and financial liability	**–**	**15**	**15**	–	26	26
Other bank charges	**13**	**–**	**13**	13	–	13
Lease accretion of interest	**4**	**–**	**4**	1	–	1
	52	**15**	**67**	54	26	80

12. Tax

	2019 Core results $m	2019 Exceptional items and other adjustments (Note 6) $m	2019 Reported results $m	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Current tax:						
UK corporation tax	**16**	**32**	**48**	1	–	1
Foreign tax	**73**	**(3)**	**70**	36	(9)	27
Deferred tax (Note 13)						
Current year	**2**	**(125)**	**(123)**	39	(43)	(4)
Adjustment to prior year	**9**	**–**	**9**	(3)	(13)	(16)
	100	**(96)**	**4**	73	(65)	8

UK corporation tax is calculated at 19.0% (2018: 19.0%) of the estimated assessable profit made in the UK for the year.

The Group incurred a tax expense of $4 million (2018: $8 million). The effective tax charge rate is 0.8% (2018: 2.7%). The reported effective tax rate is lower than the statutory rate mainly due to the utilisation and recognition of previously unrecognised deferred tax assets and the benefit of higher estimated future tax amortisation following the internal reorganisation of intangible assets during the year.

Taxation for all jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

12. Tax continued

The charge for the year can be reconciled to profit before tax per the consolidated income statement as follows:

	2019 $m	2018 $m
Profit before tax	**491**	293
Tax at the UK corporation tax rate of 19.0% (2018: 19.0%)	**93**	56
Profits taxed at different rates	**3**	14
Permanent differences		
– Non-taxable income	**(1)**	(14)
– Non-deductible expenditure	**3**	2
– Adjustment on intercompany inventory	**1**	1
– Other permanent differences	**2**	–
State and local taxes	**7**	4
Temporary differences		
– Tax losses and other deductible temporary differences for which no benefit is recognised	**2**	5
– Prior year favourable US tax ruling	**–**	(13)
– Exceptional tax benefit associated with previously unrecognised tax losses (Note 6)	**(49)**	(43)
– Exceptional tax benefit associated with the internal reorganisation of intangible assets (Note 6)	**(48)**	–
Change in provision for uncertain tax positions	**(14)**	(2)
Unremitted earnings	**(4)**	4
Prior year adjustments	**9**	(6)
Tax expense for the year	**4**	8

Profits taxed at different tax rates relates to profits arising in overseas jurisdictions where the tax rate differs from the UK statutory rate.

Permanent differences relate to items which are non-taxable or for which no tax relief is ever likely to be due. The major items are expenses and income disallowed where they are covered by statutory exemptions, foreign exchange differences in some territories and statutory reliefs such as R&D and manufacturing tax credits.

Tax losses and other deductible temporary differences for which no benefit is recognised includes items for which it is not possible to book deferred tax and comprise mainly unrecognised tax losses.

The exceptional tax benefit associated with previously unrecognised tax losses is a result of the internal reorganisation of intangible assets during the year.

The exceptional tax benefit associated with the internal reorganisation of intangible assets is mainly due to a higher amortisable base resulting in a higher estimated future tax deduction.

The change in provision for uncertain tax positions relates to the provisions the Group holds in the event of a revenue authority successfully taking an adverse view of the positions adopted by the Group in 2019 and primarily relates to a transfer pricing adjustment.

Prior year adjustments include differences between the tax liability recorded in the tax returns submitted for previous years and estimated tax provision reported in a prior period's consolidated financial statements. This category also includes adjustments (favourable or adverse) in respect of uncertain tax positions following agreement of the tax returns with the relevant tax authorities.

Publication of tax strategy

In line with the UK requirement for large UK businesses to publish their tax strategy, Hikma's tax strategy has been made available on the Group's website.

13. Deferred tax

Certain deferred tax assets and liabilities have been appropriately offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 December	
	2019 $m	2018 $m
Deferred tax liabilities	**(20)**	(16)
Deferred tax assets	**243**	125
	223	109

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting years.

	Tax losses $m	Deferred R&D costs $m	Other short-term temporary differences[1] $m	Amortisable assets $m	Fixed assets $m	Share-based payments $m	Total $m
At 1 January 2018	3	1	133	(16)	(33)	–	88
Credit/(charge) to income	–	–	(16)	5	31	1	21
At 31 December 2018 and 1 January 2019	3	1	117	(11)	(2)	1	109
Credit/(charge) to income	–	(1)	(3)	126	(8)	–	114
At 31 December 2019	**3**	**–**	**114**	**115**	**(10)**	**1**	**223**

1. The other deferred taxes on short-term temporary differences primarily relate to chargebacks and product returns in the US of $51 million (2018: $49 million), inventory related provisions in the US of $18 million (2018: $14 million) and the unrealised intercompany profits of $17 million (2018: $15 million)

No deferred tax asset has been recognised on temporary differences totalling $170 million (2018: $536 million) mainly due to the unpredictability of the related future profit streams. $161 million (2018: $527 million) of these temporary differences relate to losses on which no deferred tax is recognised. None of these losses are expected to expire. In 2019, $92 million of losses can no longer be carried forward under UK tax rules.

A deferred tax liability has been recognised on temporary differences relating to the unremitted earnings of overseas subsidiaries of $3 million (2018: $8 million). No deferred tax liability has been recognised on the remaining unremitted earnings of $236 million (2018: $187 million), as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred taxes on amortisable assets relate to differences between the tax deductions and book deductions for intangible assets in the Group. The credit to income in 2019 mainly arose as a result of the internal reorganisation of intangible assets which generated a higher amortisable base and therefore resulting in a higher estimated future tax deduction.

14. Dividends

	Paid in 2019 $m	Paid in 2018 $m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of 26.0 cents (31 December 2017: 23.0 cents) per share	**63**	55
Interim dividend for the year ended 31 December 2019 of 14.0 cents (31 December 2018: 12.0 cents) per share	**34**	29
	97	84

The proposed final dividend for the year ended 31 December 2019 is 30.0 cents (2018: 26.0 cents).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 30 April 2020 and has not been included as a liability in these consolidated financial statements. Based on the number of shares in issue at 31 December 2019 (242,319,174), the unrecognised liability is $73 million.

15. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of Ordinary Shares. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of the Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all dilutive potential Ordinary Shares into Ordinary Shares. The number of Ordinary Shares used for the basic and diluted calculations is shown in the table below. Core basic earnings per share and core diluted earnings per share are intended to highlight the core results of the Group before exceptional items and other adjustments.

	2019 Core results $m	**2019 Exceptional items and other adjustments (Note 6) $m**	**2019 Reported results $m**	2018 Core results $m	2018 Exceptional items and other adjustments (Note 6) $m	2018 Reported results $m
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**364**	**122**	**486**	332	(50)	282

Number of shares	**2019 Number m**	2018 Number m
Weighted average number of Ordinary Shares for the purposes of basic EPS	**242**	241
Effect of dilutive potential Ordinary Shares:		
Share-based awards	**1**	1
Weighted average number of Ordinary Shares for the purposes of diluted EPS	**243**	242

	2019 Core EPS Cents	**2019 Reported EPS Cents**	2018 Core EPS Cents	2018 Reported EPS Cents
Basic	**150.4**	**200.8**	137.8	117.0
Diluted	**149.8**	**200.0**	137.2	116.5

16. Goodwill and other intangible assets

The changes in the carrying value of goodwill and other intangible assets for the years ended 31 December 2019 and 31 December 2018 are as follows:

	Goodwill $m	Product-related intangibles $m	Software $m	Other identified intangibles $m	Total $m
Cost					
Balance at 1 January 2018	690	1,015	118	111	1,934
Additions	–	–	12	21	33
Acquisition of subsidiaries	–	1	–	–	1
Translation adjustments	(3)	(1)	–	(2)	(6)
Balance at 1 January 2019	**687**	**1,015**	**130**	**130**	**1,962**
Additions	–	17	18	54	89
Translation adjustments	3	1	(1)	–	3
Balance at 31 December 2019	**690**	**1,033**	**147**	**184**	**2,054**
Amortisation					
Balance at 1 January 2018	(408)	(633)	(51)	(57)	(1,149)
Charge for the year	–	(22)	(10)	(8)	(40)
Impairment charge	–	(4)	(5)	–	(9)
Translation adjustments	–	1	–	1	2
Balance at 1 January 2019	**(408)**	**(658)**	**(66)**	**(64)**	**(1,196)**
Charge for the year	–	(21)	(10)	(13)	(44)
Impairment reversal	–	21	–	–	21
Impairment charge	–	(2)	(1)	–	(3)
Translation adjustments	–	–	2	–	2
Balance at 31 December 2019	**(408)**	**(660)**	**(75)**	**(77)**	**(1,220)**
Carrying amount					
At 31 December 2019	**282**	**373**	**72**	**107**	**834**
At 31 December 2018	279	357	64	66	766

In 2019, the Group recorded a total intangible impairment reversal of $21 million related to specific product related assets in the Generics segment.

In 2018, the Group recorded a total intangible impairment charge of $9 million, of which $5 million related to software and $4 million to product related intangibles. $7 million of the impairment charge is included within other operating expenses (Note 9).

Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	As at 31 December	
	2019 $m	2018 $m
Branded	**168**	166
Injectables	**114**	113
Total	**282**	279

16. Goodwill and other intangible assets continued

In accordance with the Group policy, goodwill is tested annually for impairment during the fourth quarter or more frequently if there are indications that goodwill may be impaired.

Details related to the discounted cash flow models used in the impairment tests of the CGUs are as follows:

Valuation basis	Value in use		
Key assumptions	Sales growth rates		
	Profit margins		
	Terminal growth rates		
	Discount rates		
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information		
	Margins reflect past experience, adjusted for expected changes		
	Terminal growth rates based on management's estimate of future long-term average growth rates		
	Discount rates based on Group WACC, adjusted where appropriate		
	Taxation rate based on appropriate rates for each region		
Period of specific projected cash flows	5 years		
Terminal growth rate and discount rate		Terminal growth rate (perpetuity)	Pre-tax discount rate
	Branded	2.8%	18.0%
	Injectables	1.9%	13.0%
	Generics	1.6%	15.0%
	generic Advair Diskus®	–[1]	17.7%

1. generic Advair Diskus® has useful life of 12 years

CGUs: The Group performed its annual goodwill and CGU impairment test on a quantitative basis of the Branded, Injectables and Generics CGUs. The Group conducted a sensitivity analysis on the impairment of each CGU's carrying value. Although the Directors have concluded sufficient headroom[2] exists for all of the CGUs, there is a possibility that changes to the key assumptions could result in impairment. The Group has performed sensitivity analysis on the key assumptions affecting the valuation of the Branded, Injectables and Generics CGUs and has determined that sufficient headroom still exists. Specifically, an evaluation of the CGU was made assuming an increase of 2% in the discount rate, or a 10% decline in the projected cash flows, or a 5% decline in the projected cash flows in the terminal year, or a 2% decline in the terminal growth rate and in all cases sufficient headroom exists.

The Group evaluated generic Advair Diskus® as separate CGU mainly due to it distinct assets and liabilities and its capabilities to generate independent cash flows. The key reason to separate the generic Advair Diskus® from Generics CGU is strategic focus on developing specialised inhalation products.

As of 31 December 2019, the Group performed sensitivity analyses over the valuation of the generic Advair Diskus® CGU. Specifically, an evaluation of the generic Advair Diskus® CGU was made assuming a delay in launch of 1 year and additional market entrant. In both cases sufficient headroom still exists. Furthermore, in the event of not receiving an FDA approval, the overall impact will be an approximate $76 million credit to the consolidated income statement as a result of writing down the carrying value of the CGU of $98 million and releasing related contingent consideration liability of $174 million.

Whilst there is some uncertainty regarding the short-term impact of the political events in MENA, the Group does not consider such events to have any significant impact on Branded CGU headroom.

2. Headroom is defined as the excess of the value in use, compared to the carrying value of a CGU

16. Goodwill and other intangible assets continued

Other intangible assets

Product-related intangible

IPR&D

During the last quarter, the Group performed its annual review of IPR&D assets. The result of this testing was an impairment charge of $2 million.

Product rights

Whenever impairment indicators are identified for definite life intangible assets, Hikma reconsiders the asset's estimated life, calculates the value of the individual assets or asset group's cash flows and compares such value against the individual asset's or asset group's carrying amount. If the carrying amount is greater, Hikma records an impairment loss for the excess of book value over valuation based on the discounted cash flows by applying an appropriate pre-tax WACC rate that reflects the risk factors associated with the cash flow streams and the segment which these products pertain to. The more significant estimates and assumptions inherent in the estimate of the value in use of identifiable intangible assets include all assumptions associated with forecasting product profitability. As at 31 December 2019, the result of this testing was a reversal of impairment charge of $21 million related to specific product related assets (Generics segment) due to improved performance and forecast profitability.

In addition, on August 9, 2019, Hikma signed an asset purchase agreement with Insys Therapeutics for the purchase of two products under development and related tangible assets. The overall cash consideration amounted to $17 million, of which $16 million was attributable to in-process research and development.

Software

Software intangibles mainly represent the Enterprise Resource Planning solutions that are being implemented in different operations across the Group in addition to other software applications. The software has an average estimated useful life that varies from three to ten years.

In 2019, the Group recorded an impairment charge of $1 million related to software.

Other identified intangibles

Customer relationships

Customer relationships represent the value attributed to existing direct customers that the Group acquired on the acquisition of subsidiaries. The customer relationships have an average estimated useful life of 15 years.

Trade names

Trade names were mainly recognised on the acquisition of Hikma Germany GmbH (Germany) and Promopharm with estimated useful lives of ten years.

Marketing rights

Marketing rights are amortised over their useful lives commencing in the year in which the rights are ready for use with estimated useful lives varying from two to ten years.

As at 31 December 2019, the Group had entered into contractual commitments for the acquisition of intangible assets of $5 million (2018: $4 million).

17. Property, plant and equipment

Cost	Land and buildings $m	Machinery and equipment $m	Vehicles, fixtures and equipment $m	Projects under construction $m	Total $m
Balance at 1 January 2018	**592**	**619**	**114**	**164**	**1,489**
Additions	8	15	6	100	129
Acquisition of subsidiaries	7	5	–	–	12
Disposals	(33)	(22)	(4)	(3)	(62)
Transfers	6	18	2	(26)	–
Translation adjustment	(6)	(8)	(1)	(4)	(19)
Balance at 1 January 2019 as previously reported	**574**	**627**	**117**	**231**	**1,549**
Impact of IFRS 16[1]	(14)	(2)	–	–	(16)
Balance at 1 January 2019 as adjusted	**560**	**625**	**117**	**231**	**1,533**
Additions	7	12	7	88	114
Disposals	(10)	(3)	(4)	–	(17)
Transfers	34	48	3	(85)	–
Translation adjustment	6	3	2	(1)	10
Balance at 31 December 2019	**597**	**685**	**125**	**233**	**1,640**
Accumulated depreciation					
Balance at 1 January 2018	**(196)**	**(379)**	**(73)**	**(13)**	**(661)**
Charge for the year	(19)	(38)	(12)	–	(69)
Disposals	19	23	4	–	46
Impairment (Note 6)	–	(3)	–	–	(3)
Translation adjustment	2	5	1	–	8
Balance at 1 January 2019 as previously reported	**(194)**	**(392)**	**(80)**	**(13)**	**(679)**
Impact of IFRS 16[1]	5	1	–	–	6
Balance at 1 January 2019 as adjusted	**(189)**	**(391)**	**(80)**	**(13)**	**(673)**
Charge for the year	(16)	(30)	(18)	–	(64)
Disposals	6	2	3	–	11
Translation adjustment	–	(1)	(1)	–	(2)
Balance at 31 December 2019	**(199)**	**(420)**	**(96)**	**(13)**	**(728)**
Carrying amount					
At 31 December 2019	**398**	**265**	**29**	**220**	**912**
At 31 December 2018	380	235	37	218	870

1. The Group has adopted IFRS 16, applying modified retrospective approach on 1 January 2019, as result $10 million were reclassified from property, plant, and equipment to right-of-use assets in relation to assets previously recognised as assets held under finance lease

Land is not subject to depreciation.

As at 31 December 2019, the Group had pledged property, plant and equipment with a carrying value of $8 million (2018: $8 million) as collateral for various long-term loans. This amount includes both specific items around the Group and the net property, plant and equipment of the Group's businesses in Tunisia (2018: Germany and Tunisia).

Depreciation of $48 million (2018: $55 million) is included in the cost of sales, $12 million (2018: $9 million) in selling general and administrative expenses and $4 million (2018: $5 million) in research and development expenses.

As at 31 December 2019, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $21 million (2018: $27 million).

18. Investments in associates and joint ventures

The Group's share in Hubei Haosun Pharmaceutical Co Ltd (China) is 49% at 31 December 2019 (31 December 2018: 49%) with an investment balance of $9 million at 31 December 2019 (31 December 2018: $9 million).

In 2017, Hikma and MIDROC Group agreed not to proceed with the Hikmacure joint venture and to liquidate it. As part of the liquidation process the joint venture granted two loans of $2 million each to the Group and MIDROC Group. The balance of $2 million investment in Hikmacure is currently outstanding and the liquidation is still in progress.

Total investment in joint ventures including Hubei Haosun Pharmaceuticals Co Ltd and Hikmacure adds up to $11 million (2018: $11 million).

The Group's share of the results of Hubei Haosun Pharmaceutical Co Ltd is $nil (2018: $nil).

	For the year ended 31 December 2019		For the year ended 31 December 2018		
	Joint ventures $m	**Total $m**	Joint ventures $m	Associates $m	Total $m
Balance at 1 January	**11**	**11**	3	3	6
Additions	**–**	**–**	–	5	5
Share of profit	**–**	**–**	–	–	–
Reclassification	**–**	**–**	8	(8)	–
Balance at 31 December	**11**	**11**	11	–	11

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

	As at 31 December 2019 $m	As at 31 December 2018 $m
Total assets	**17**	17
Total liabilities	**(2)**	(2)
Net assets	**15**	15
Group's share of net assets of joint ventures	**7**	7

	For the year ended 31 December 2019 $m	For the year ended 31 December 2018 $m
Total revenue	**5**	6
Net profit	**1**	1
Group's share of profit of joint ventures	**–**	–

19. Financial and other non-current assets

	As at 31 December	
	2019 $m	2018 $m
Investments at FVTOCI	**18**	27
Other non-current assets	**14**	30
	32	57

Investments at FVTOCI include investments in eight venture capital companies through the Group's venture capital arm Hikma International Ventures Developments LLC and Hikma Ventures Limited. During 2019, the Group sold one of its investments for $12 million and invested $5 million in new ventures.

Other non-current assets mainly represent inventory that is expected not to be sold within one year.

20. Inventories

	As at 31 December	
	2019 $m	2018 $m
Finished goods	**139**	135
Work-in-progress	**94**	83
Raw and packing materials	**279**	253
Goods in transit	**27**	32
Spare parts	**29**	25
	568	528

Inventories are stated net of provisions as follows:

	As at 31 December 2018 $m	Additions $m	Utilisation $m	**As at 31 December 2019 $m**
Provisions against inventory	**72**	**60**	**(47)**	**85**

21. Trade and other receivables

	As at 31 December	
	2019 $m	2018 $m
Trade receivables	**637**	654
Prepayments	**49**	57
VAT and sales tax recoverable	**31**	17
Employee advances	**2**	3
	719	731

The fair value of receivables is estimated to be equal to the carrying amount.

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

	As at 31 December 2018 $m	Additions, net $m	Utilisation $m	**As at 31 December 2019 $m**
Chargebacks and other allowances	**236**	**2,009**	**(1,965)**	**280**
Doubtful debts	**56**	**1**	**(2)**	**55**
	292	**2,010**	**(1,967)**	**335**

More details on the Group's policy for credit and concentration risk are provided in Note 30.

At 31 December 2019, the provision balance relating to chargebacks was $179 million (2018: $156 million) within what management believes is a reasonable range for the provision of $170 million to $188 million. The key inputs and assumptions included in calculating this provision are estimations of 'in channel' inventory at the wholesalers (including processing lag) of 38 days (2018: 37 days) and the estimated chargeback rates as informed by average historical chargeback credits adjusted for expected chargeback levels for new products and estimated future sales trends. Based on the conditions existing at the balance sheet date an increase/decrease in the estimate of in channel inventory by 1 day increases/decreases the provision by $5 million and if overall chargeback rate of 45% increases/decreases by one percentage point the provision would increase/decrease by $4 million.

At 31 December 2019, provision balance relating to customer rebates was $88 million (2018: $65 million) within what management believes is a reasonable range for the provision of $85 million to $91 million. The key inputs and assumptions included in calculating this provision are historical relationships of rebates and payments to revenue, past payment experience, estimate of 'in channel' inventory at the wholesalers and estimated future trends. Based on the conditions existing at the balance sheet date, a one percentage point increase/decrease in rebates rate of 9.8% would increase/decrease this provision by approximately $6 million.

22. Collateralised and restricted cash

Collateralised and restricted cash amounted to $1 million (2018: $nil) mainly represent restricted cash retained against short-term bank transactions granted to the Group's Sudanese and Algerian operations.

23. Cash and cash equivalents

	As at 31 December	
	2019 $m	2018 $m
Cash at banks and on hand	**94**	112
Time deposits	**309**	128
Money market deposits	**39**	36
	442	276

Cash and cash equivalents include highly liquid investments with maturities of three months or less which are convertible to known amounts of cash and are subject to insignificant risk of changes in value.

24. Other current assets

	As at 31 December	
	2019 $m	2018 $m
Price adjustment receivable	**–**	20
Investment at FVTPL	**23**	21
Others	**16**	18
	39	59

Price adjustment receivable represents the current portion of the contingent receivable in relation to the Columbus business acquisition, whereby, as part of the acquisition, the Group was reimbursed for certain contingent payments in respect of milestones and other conditions based on future events. During the year, the Group received $27 million reimbursement (2018: $45 million) in cash.

Investment at FVTPL represents the agreement the Group entered into with an asset management firm in 2015 to manage a $20 million portfolio of underlying debt instruments. The investment comprises a portfolio of assets that are managed by an asset manager and is measured at fair value; any changes in fair value go through the consolidated income statement. These assets are classified as level 1 as they are based on quoted prices in active markets.

25. Short-term financial debts

	As at 31 December	
	2019 $m	2018 $m
Bank overdrafts	**6**	–
Import and export financing	**52**	58
Short-term loans	**2**	7
Current portion of long-term loans (Note 29)[1]	**509**	9
	569	74

1. As part of our long-term financing requirements, we are exploring refinancing options for our $500 million Eurobond which is due for repayment in April 2020, including alternatives in the fixed income markets. The Group may also utilise its cash and unutilised revolving credit facility of $1,000 million (refer to Note 29) to repay the Eurobond

	2019 %	2018 %
The weighted average interest rates paid are as follows:		
Bank overdrafts	**5.35**	5.31
Bank loans (including the non-current bank loans)	**5.82**	4.48
Eurobond	**4.25**	4.25
Import and export financing[2]	**6.17**	5.45

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

26. Trade and other payables

	As at 31 December	
	2019 $m	2018 $m
Trade payables	**286**	263
Accrued expenses	**173**	185
Other payables	**14**	17
	473	465

The fair value of payables are estimated to be equal to the carrying amount.

Other payables mainly comprises employees' provident fund liability of $5 million (31 December 2018: $7 million), which mainly represents the outstanding contributions to the Hikma Pharmaceuticals Ltd (Jordan) retirement benefit plan, on which the fund receives 3.5% interest.

27. Other provisions

Other provisions represent the end of service indemnity provisions for employees of certain Hikma Group subsidiaries. This provision is calculated based on relevant laws in the countries where each Group company operates, in addition to their own policies.

Movements on the provision for end of service indemnity:

	2019 $m	2018 $m
1 January	**23**	26
Additions	**6**	5
Utilisation	**(6)**	(8)
At 31 December	**23**	23

28. Other current liabilities

	As at 31 December	
	2019 $m	2018 $m
Contract liability	**142**	151
Co-development and earnout payment	**1**	2
Supply manufacturing agreement	**5**	18
Contingent liability (Note 31)	**15**	–
Contingent consideration (Note 31)	**63**	–
Indirect rebate and other allowances	**61**	65
Others	**28**	26
	315	262

Contract liability: the Group allows customers to return products within a specified period prior to and subsequent to the expiration date. In addition, free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as compensation for expired or returned goods.

At 31 December 2019, the provision balance relating to returns was $116 million (2018: $121 million) within what management believes is a reasonable range for the provision of $113 million to $119 million. The key assumptions included in calculating this provision are estimations of revenue estimated to be subject to returns and the estimated returns rate of 1.3% (2018: 1.3%) as informed by both historical return rates and consideration of specific factors like product dating and expiration, new product launches, entrance of new competitors, and changes to contractual terms. Based on the conditions existing at the balance sheet date, a ten basis point increase/decrease in the returns & allowances rate would increase/decrease this provision by approximately $4 million.

	As at 31 December 2018 $m	Additions $m	Utilisation $m	**As at 31 December 2019 $m**
Contract liability	151	96	(105)	**142**

28. Other current liabilities continued

Supply manufacturing agreement: as part of the acquisition of the Columbus business, the Group entered into supply and manufacturing contracts with the seller, Boehringer Ingelheim. This balance represents the current portion of the liability.

Indirect rebate and other allowances: mainly represents rebates granted to healthcare authorities and other parties under contractual arrangements with certain indirect customers.

At 31 December 2019, provision balance relating to the indirect rebates was $42 million (2018: $51 million) within what management believes is a reasonable range for the provision of $40 million to $44 million. Included within this balance are provisions for non-customer rebates of $22 million and government rebates of $20 million. The key inputs and assumptions included in calculating this provision are historical relationships of rebates and payments to revenue, past payment experience, estimate of 'in channel' inventory at the wholesalers and estimated future trends. Based on the conditions existing at the balance sheet date, a one percentage point increase/decrease in rebates rate of 3.5% would increase/decrease this provision by approximately $6 million.

29. Long-term financial debts

	As at 31 December	
	2019 $m	2018 $m
Long-term loans	**57**	51
Long-term borrowings (Eurobond)	**500**	497
Less: current portion of long term loans (Note 25)	**(509)**	(9)
Long-term financial loans	**48**	539
Breakdown by maturity:		
Within one year	**509**	9
In the second year	**12**	509
In the third year	**12**	8
In the fourth year	**15**	8
In the fifth year	**6**	9
In the sixth year	**2**	5
Thereafter	**1**	–
	557	548
Breakdown by currency:		
US dollar	**508**	514
Euro	**16**	17
Jordanian Dinar	**12**	–
Algerian dinar	**20**	16
Tunisian dinar	**1**	1
	557	548

The loans are held at amortised cost.

Long-term loans amounting to $1 million (31 December 2018: $1 million) are secured on certain property, plant and equipment.

Major arrangements entered into by the Group:

(a) A $500 million (carrying value of $500 million, and fair value of $501 million) 4.25% Eurobond which is due for repayment in April 2020 with the rating of (BB+/Ba1). The proceeds were used to refinance existing debt and to finance part of the cash consideration of the Columbus business acquisition.

(b) A syndicated revolving credit facility of $1,175 million was entered into on the 27 of October 2015. $1,000 million of this facility matures on 24 December 2021 and the remaining $175 million matured 24 December 2019. The facility has an outstanding balance of $nil (2018: $nil) and a $1,000 million unused available limit (2018: $1,175 million). The facility can be used for general corporate purposes.

(c) A ten-year $150 million loan from the International Finance Corporation was entered into on 21 December 2017. There was no utilisation of the loan as at 31 December 2019. Quarterly equal repayments of the long-term loan will commence on 15 March 2021. The loan will be used in MENA and in other World Bank countries of operation for its general corporate purposes. The facility matures on 15 December 2027.

30. Financial policies for risk management and their objectives

Credit and concentration of risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, chargebacks and other allowances. A provision for impairment is made based on expected credit losses which are estimated based on previous experience, current events and forecasts of future conditions.

The credit risk on liquid investments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

In line with local market practice, customers in the MENA region are offered relatively long payment terms compared to customers in Europe and the US. During the year ended 31 December 2019, the Group's largest two customers in the MENA region represented 6.1% of Group revenue, 3.7% from one customer in Saudi Arabia and 2.4% from another customer in Saudi Arabia. At 31 December 2019, the amount of receivables due from all customers based in Saudi Arabia was $70 million (2018: $83 million).

During the year ended 31 December 2019, three key US wholesalers represented 37% of Group revenue (2018: 40%). The amount of receivables due from all US customers at 31 December 2019 was $280 million (2018: $298 million).

The Group manages this risk through the implementation of stringent credit policies, procedures and certain credit insurance agreements.

Trade receivable exposures are managed locally in the operating units where they arise. Credit limits are set as deemed appropriate for the customer, based on a number of qualitative and quantitative factors related to the creditworthiness of a particular customer. The Group is exposed to a variety of customers ranging from government-backed agencies and large private wholesalers to privately owned pharmacies and the underlying local economic risks vary across the Group. Typical credit terms in the US range from 30 to 90 days, in Europe 30 to 120 days and in MENA 180 to 360 days. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance.

The following table provides a summary of the age of trade receivables (Note 21):

At 31 December 2019	Not past due on the reporting date $m	Past due: Less than 90 days $m	Past due: Between 91 and 180 days $m	Past due: Between 181 and 360 days $m	Past due: Over one year $m	Total $m
Total trade receivables as at 31 December 2019	**788**	**71**	**12**	**28**	**73**	**972**
Related allowance for doubtful debts	**–**	**–**	**–**	**(4)**	**(51)**	**(55)**
	788	**71**	**12**	**24**	**22**	**917**
Chargebacks and other allowances						**(280)**
Net receivables						**637**

At 31 December 2018	Not past due on the reporting date $m	Past due: Less than 90 days $m	Past due: Between 91 and 180 days $m	Past due: Between 181 and 360 days $m	Past due: Over one year $m	Total $m
Total trade receivables as at 31 December 2018	739	102	21	21	63	946
Related allowance for doubtful debts	(1)	–	(1)	(1)	(53)	(56)
	738	102	20	20	10	890
Chargebacks and other allowances						(236)
Net receivables						654

30. Financial policies for risk management and their objectives continued

Market risk

The Group is exposed to foreign exchange and interest rate risk. The Group's objective is to reduce, where it is appropriate to do so, fluctuations in earnings and cash flow associated with changes in interest rates and foreign currency rates. Management actively monitors these exposures to manage the volatility relating to these exposures by entering into a variety of derivative financial instruments, if needed.

Capital risk management

The Group manages its capital and monitors its liquidity to have reasonable assurance that the Group will be able to continue as a going concern and deliver its growth strategy objectives, whilst reducing its cost of capital and maximising the return to shareholders through the optimisation of the debt and equity mix. The Group regularly reviews the capital structure by considering the level of available capital and the short to medium-term strategic plans concerning future capital spend, as well as the need to meet dividends, banking covenants and borrowing ratios.

The Group defines capital as equity plus net funds, which include bank overdrafts and loans (Note 25), Leases liabilities (Note 34), long-term financial debts (Note 29), net of cash and cash equivalents (Note 23) and collateralised and restricted cash (Note 22).

During the year, the Group continued its strategy of obtaining debt financing at both the Group level and at the operating entities level. This enables the Group to borrow at competitive rates and to build relationships with local, regional and international banks and is therefore deemed to be the most effective means of raising finance, while maintaining the balance between borrowing cost, asset and liability management and consolidated balance sheet currency risk management.

In order to monitor the available net funds, management reviews financial capital reports on a monthly basis, in addition to the continuous review by the Group treasury function.

At 31 December 2019, the Group's gearing (total debt/equity) was 32% (2018: 38%). The decrease in the Group's gearing ratio is due to higher profits during 2019 which led to an increase in the Group total equity.

Cash management

The Group manages the deployment of cash balances to predefined limits approved by the Board of Directors under the cash/risk management policy. Per the policy, the Group's excess cash should be held with highly rated global and regional financial institutions. The aim of the policy is to mitigate the risk of holding cash in certain currencies, countries and financial institutions, through a specific threshold. The Group reviews the policy periodically to meet its risk appetite.

Foreign exchange risk and currency risk

The Group uses the US dollar as its reporting currency and is therefore exposed to foreign exchange movements primarily in the Euro, Algerian dinar, Sudanese pound, Japanese yen, Egyptian pound, Tunisian dinar, Lebanese pound and Moroccan dirham. Consequently, where possible, the Group enters into various contracts, which change in value as foreign exchange rates change, to hedge against the risk of movement in foreign denominated assets and liabilities. Due to the lack of open currency markets, the Algerian dinar, the Sudanese pound, the Tunisian dinar, the Moroccan dirham and the Egyptian pound cannot be hedged at reasonable cost. Where possible, the Group uses financing facilities denominated in local currencies to mitigate the risks. The Jordanian dinar and the Saudi riyal had no impact on the consolidated income statement as those currencies are pegged against the US dollar.

Currency risks, as defined by IFRS 7, arise on account of financial instruments being denominated in a currency that is other than the functional currency of an entity and being of a monetary nature.

30. Financial policies for risk management and their objectives continued

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

	Period-end rates		Average rates	
	2019	2018	**2019**	2018
US dollar/Euro	**0.8915**	0.8719	**0.8936**	0.8442
US dollar/Sudanese pound	**45.2284**	47.6190	**46.0829**	32.6797
US dollar/Algerian dinar	**119.1468**	118.3304	**119.3798**	116.6424
US dollar/Saudi riyal	**3.7495**	3.7495	**3.7495**	3.7495
US dollar/Pound sterling	**0.7551**	0.7839	**0.7833**	0.7464
US dollar/Jordanian dinar	**0.7090**	0.7090	**0.7090**	0.7090
US dollar/Egyptian pound	**15.9770**	17.8571	**16.7280**	17.7936
US dollar/Japanese yen	**109.0193**	109.5600	**108.6500**	110.2800
US dollar/Moroccan dirham	**9.5932**	9.5655	**9.6176**	9.3836
US dollar/Tunisian dinar	**2.7988**	2.9940	**2.9360**	2.6469
US dollar/Lebanese pound	**1,507.5000**	1,507.5000	**1,507.5000**	1,507.5000

	Net foreign currency financial assets/(liabilities)				
2019	**US dollar $m**	**Euro $m**	**Algerian dinar $m**	**Japanese yen $m**	**Others[1] $m**
Functional currency of entity:					
– Jordanian dinar	**151**	**21**	**–**	**(5)**	**13**
– Euro	**26**	**–**	**–**	**–**	**–**
– Algerian dinar	**(4)**	**(1)**	**–**	**–**	**–**
– Saudi riyal	**29**	**(2)**	**–**	**(1)**	**–**
– Sudanese pound	**(2)**	**–**	**–**	**–**	**–**
– Egyptian pound	**(11)**	**–**	**–**	**–**	**–**
– Tunisian dinar	**(1)**	**2**	**–**	**–**	**1**
– Moroccan dirham	**(4)**	**(5)**	**–**	**–**	**–**
– Lebanese pound	**(3)**	**–**	**–**	**–**	**(4)**
– US dollar	**–**	**1**	**–**	**–**	**1**
	181	**16**	**–**	**(6)**	**11**

1. Others include Saudi riyal, Jordanian dinar and Pound sterling

	Net foreign currency financial assets/(liabilities)				
2018	US dollar $m	Euro $m	Algerian dinar $m	Japanese yen $m	Others[1] $m
Functional currency of entity:					
– Jordanian dinar	89	43	(21)	(3)	9
– Euro	6	–	–	–	–
– Algerian dinar	(6)	(1)	–	–	–
– Saudi riyal	27	(1)	–	–	–
– Sudanese pound	(27)	–	–	–	–
– Egyptian pound	(42)	(1)	–	–	–
– Tunisian dinar	(1)	2	–	–	–
– Moroccan dirham	(3)	(6)	–	–	–
– Lebanese pound	(2)	–	–	–	(1)
– US dollar	–	1	–	–	2
	41	37	(21)	(3)	10

1. Others include Saudi riyal, Jordanian dinar and Pound sterling

30. Financial policies for risk management and their objectives continued

A sensitivity analysis based on a 10% movement in foreign exchange rates would result in a $20 million increase/decrease on the Group results.

The Group sets certain limits on liquid funds per currency (other than the US dollar) and per country.

Interest rate risk

	As at 31 December 2019			As at 31 December 2018		
	Fixed rate $m	**Floating rate $m**	**Total $m**	Fixed rate $m	Floating rate $m	Total $m
Financial liabilities						
Interest-bearing loans and borrowings	**513**	**104**	**617**	497	116	613
Lease liabilities	**68**	**–**	**68**	24	–	24
Financial assets						
Cash and cash equivalents	**–**	**348**	**348**	–	164	164

An interest rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2019, with all other variables held constant. Based on the composition of the Group's debt portfolio as at 31 December 2019, a 1% increase/decrease in interest rates would result in $2 million decrease/increase in net finance cost per year (2018: $nil million increase/decrease).

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following financial assets/liabilities are presented at their carrying value which approximates to their fair value:

- Cash at bank and on hand, time deposit and collateralised and restricted cash – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers the carrying amounts to be not significantly different from their fair values
- Short-term loans and overdrafts – approximates to their fair value because of the short maturity of these instruments
- Long-term loans –loans with variable rates are re-priced in response to any changes in market rates and so management considers the carrying amount to be not significantly different from their fair market value
- Loans with fixed rates relate to the $500 million Eurobond accounted through amortised cost. The fair value is determined with reference to quoted price in an active market on the consolidated balance sheet date (Notes 25 and 29)
- Receivables and payables – the fair values of receivables and payables are estimated to be equal to the respective carrying amounts
- Lease obligations – are valued at the present value of the minimum lease payments

Management classifies items that are recognised at fair value based on the level of inputs used in their fair value determination as described below:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities
- **Level 2:** Inputs that are observable for the asset or liability
- **Level 3:** Inputs that are not based on observable market data

Financial assets and liabilities that fall under Level 1 are:

- Investment at FVTPL amounted to $23 million (Note 24)
- Money market deposit (Note 23)

Financial assets and liabilities that fall under Level 3 are:

- Co-development and earnout payment liabilities (Note 28)
- Contingent consideration asset and liability resulting from the acquisition of the Columbus business (Notes 24, 28 and 31)
- Investment at FVTOCI (Note 19)

30. Financial policies for risk management and their objectives continued

The following table presents the changes in Level 3 items for the period ended 31 December 2019 and the year ended 31 December 2018:

	Financial assets $m	Financial liabilities $m
Balance at 1 January 2018	83	190
Received/settled	(45)	(2)
Additions	4	–
Remeasurement through income statement	–	26
Fair value adjustments recognised in equity	7	–
Balance at 31 December 2018 and 1 January 2019	**49**	**214**
Received/settlement	**(40)**	**(1)**
Remeasurement through income statement	**7**	**(35)**
Additions	**4**	**–**
Fair value adjustments recognised in equity	**(2)**	**–**
Balance at 31 December 2019	**18**	**178**

The remeasurement through the income statement is included within the finance income in the consolidated income statement.

The critical areas of judgement in relation to the contingent liability are the probabilities assigned to reaching the success-based milestones and management's estimate of future sales.

If the future sales were 5% higher or lower, the fair value of the contingent liability will increase/decrease by $5 million.

If the probability assigned to reaching the success-based milestones were 5% higher or lower, the fair value of the contingent liability will increase/decrease by $4 million.

Liquidity risk

2019	Less than one year $m	One to five years $m	More than five years $m	Total $m
Cash and cash equivalents	**442**	**–**	**–**	**442**
Trade receivables	**637**	**–**	**–**	**637**
Interest-bearing loans and borrowings[1]	**(522)**	**(48)**	**(3)**	**(573)**
Interest-bearing overdrafts[1]	**(2)**	**–**	**–**	**(2)**
Interest-bearing import and export loans[1]	**(59)**	**–**	**–**	**(59)**
Interest bearing finance lease	**(13)**	**(53)**	**(18)**	**(84)**
Trade payables and accruals	**(459)**	**–**	**–**	**(459)**
	24	**(101)**	**(21)**	**(98)**

2018	Less than one year $m	One to five years $m	More than five years $m	Total $m
Cash and cash equivalents	276	–	–	276
Trade receivables	654	–	–	654
Interest-bearing loans and borrowings[1]	(32)	(548)	(6)	(586)
Interest-bearing import and export loans[1]	(68)	–	–	(68)
Interest-bearing finance lease	(2)	(24)	–	(26)
Trade payables and accruals	(448)	–	–	(448)
	380	(572)	(6)	(198)

1. As these are interest bearing liabilities, expected interest expense have been included in the balance

30. Financial policies for risk management and their objectives continued

The Group regularly monitors all cash, cash equivalents and debt to maintain liquidity needs, this is done by analysing debt headroom and expected cash flows. The Group seeks to be proactive in its liquidity management to avoid any adverse liquidity effect.

At 31 December 2019, the Group had undrawn facilities of $1,544 million (2018: $1,724 million). Of these facilities, $1,230 million (2018: $1,391 million) were committed and the remainder were uncommitted. See page 51.

31. Other non-current liabilities

	As at 31 December	
	2019 $m	2018 $m
Contingent consideration	**111**	204
Contingent liability	**83**	109
Supply manufacturing agreement (Note 28)	**–**	4
Co-development and earnout payment (Note 28)	**3**	7
Others	**6**	5
	203	329

Contingent consideration and contingent liability represent contractual liability to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and royalty payments based on future sales of certain products that are currently under development. These liabilities were recognised as part of Columbus business acquisition. In 2019, a $78 million of this balance was reclassified to other current liabilities.

32. Share capital

Issued and fully paid – included in shareholders' equity:

	2019		2018	
	Number	**$m**	Number	$m
At 1 January	**241,455,394**	**40**	240,678,894	40
Issued during the year (Ordinary Shares of 10p each)	**863,780**	**1**	776,500	–
At 31 December	**242,319,174**	**41**	241,455,394	40

33. Non-controlling interests

	2019 $m	2018 $m
At 1 January	**12**	14
Share of profit	**1**	3
Dividends paid	**(2)**	(3)
Currency translation gain/(loss)	**1**	(2)
At 31 December	**12**	12

34. Leases

IFRS 16 'Leases' was implemented by the Group from 1 January 2019. It replaces IAS 17 'Leases' and requires lease liabilities and right-of-use assets to be recognised on the consolidated balance sheet for all leases except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised in addition to the assets previously recognised under finance lease. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application in addition to the liabilities previously recognised for assets under finance leases. The Group did not change the initial carrying amounts of previous finance leases (ie the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17).

The nature and effect of the changes as a result of adoption of IFRS 16 accounting standards is described below.

The effect of the adoption of IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	1 January 2019 $m
Assets	
Right-of-use assets	**55**
Property, plant and equipment	**(10)**
Total assets	**45**
Liabilities	
Accrued rent	**(3)**
Lease liabilities	**48**
Total liabilities	**45**

In 2019, the impact of applying IFRS 16 on the consolidated income statement is:

- increase in depreciation expense of $7 million
- increase in interest expense of $3 million
- decrease in rental expense of $10 million

In 2019, the impact of applying IFRS 16 on the consolidated cash flow statement is:

- increase in cash inflow from operating activities of $10 million
- increase in cash outflow from financing activities $10 million

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	$m
Operating lease commitments as at 31 December 2018	**38**
Non-lease payments previously excluded from operating lease liabilities	9
Total operating lease commitments as at 1 January 2019	47
Weighted average incremental borrowing rate as at 1 January 2019	6%
Discounted operating lease commitments at 1 January 2019	40
Add:	
Commitments relating to leases previously classified as finance leases	24
Payments in optional extension periods not recognised as at 31 December 2018	8
Lease liabilities as at 1 January 2019	**72**

34. Leases continued

The carrying amounts of right-of-use assets recognised and the movements during the year:

	Buildings $m	Motor vehicles $m	Total $m
As at 1 January 2019	52	3	55
Additions/adjustments	(1)	5	4
Depreciation expense	(7)	(2)	(9)
As at 31 December 2019	**44**	**6**	**50**

The carrying amounts of lease liabilities and the movements during the year:

	2019 $m
As at 1 January	72
Additions	4
Accretion of interest	4
Payments	(12)
As at 31 December 2019	**68**
Current	9
Non-current	59

The maturity analysis of lease liabilities:

Breakdown by maturity:	2019 $m
Within one year	9
In the second year	8
In the third year	6
In the fourth year	5
In the fifth year	23
In the sixth year	3
Thereafter	14
	68

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics
- relied on its assessment of whether leases are onerous immediately before the date of initial application
- applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

Based on the foregoing, as at 1 January 2019:

- right-of-use assets of $55 million were recognised and presented separately in the consolidated balance sheet. This includes the lease assets recognised previously under finance leases of $10 million that were reclassified from property, plant and equipment
- additional lease liabilities of $48 million were recognised
- accrued rent including trade and other payables of $3 million related to previous operating leases were derecognised

35. Own shares

The Employee Benefit Trust (EBT) of Hikma holds 40,831 (2018: 40,831) Ordinary Shares in the Company. The trustee of the EBT is Link Market Apex Financial Services (Trust Company) Limited, an independent trustee. The market value of the Ordinary Shares held in the EBT at 31 December 2019 was $1 million (2018: $0.9 million). The book value of the retained own shares at 31 December 2019 are $0.6 million (2018: $0.6 million). The Ordinary Shares held in the EBT will be used to satisfy long-term commitments arising from the employee share plans operated by the Company.

36. Net cash generated from operating activities

	2019 $m	2018 $m
Profit before tax	**491**	293
Adjustments for:		
Depreciation, amortisation, impairment, and write-down of:		
Property, plant and equipment	**64**	72
Intangible assets	**26**	49
Right-of-Use of Assets	**9**	–
(Gain)/loss from investment at fair value through profit or loss	**(2)**	1
Loss from investment divestiture	**4**	–
Gain on disposal of property, plant and equipment	**3**	3
Movement on provisions	**–**	(3)
Cost of equity-settled employee share scheme	**24**	21
Finance income	**(66)**	(3)
Interest and bank charges	**67**	80
Foreign exchange loss	**4**	5
Cash flow before working capital	**624**	518
Change in trade and other receivables	**21**	(41)
Change in other current assets	**(2)**	(5)
Change in inventories	**(25)**	(51)
Change in trade and other payables	**(6)**	88
Change in other current liabilities	**50**	7
Change in other non-current liabilities	**(82)**	(23)
Cash generated from operations	**580**	493

37. Contingent liabilities

A contingent liability existed at the balance sheet date in respect of external guarantees and letters of credit totalling $40 million (31 December 2018: $44 million) arising in the normal course of business. No provision for these liabilities has been made in these consolidated financial statements.

The Group is involved in a number of legal proceedings in the ordinary course of 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. Management does not believe sufficient evidence exists at this point to make any provision with respect to the following matters.

In 2018, the Group received a civil investigative demand from the US Department of Justice requesting information related to products, pricing and related communications. In 2017, the Group received a subpoena from a US state attorney general and a subpoena from the US Department of Justice. Hikma denies having engaged in any conduct that would give rise to liability with respect to these demands but is cooperating with all such demands.

Starting in 2016, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of generic drug products, as well as several individual direct purchasers opt-out plaintiffs (including two product). These complaints, which allege that the defendants engaged in conspiracies to fix, increase, maintain and/or stabilise the prices of the generic drug products named, have been brought against Hikma and various other defendants. The plaintiffs generally seek damages and injunctive relief under federal antitrust law and damages under various states laws. Hikma denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defence of these cases.

Numerous complaints have been filed with respect to Hikma's sales and distribution of opioid products. Those complaints now total approximately 637 in number. These lawsuits have been filed against distributors, branded pharmaceuticals manufacturers, pharmacies, hospitals, generic pharmaceuticals manufacturers, individuals, and other defendants by a number of cities, counties, states, other governmental agencies and private plaintiffs in both state and federal courts. Most of the federal cases have been consolidated into a multidistrict litigation in the Northern District of Ohio. These cases assert in general that the defendants allegedly engaged in improper marketing and distribution of opioids and that defendants failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent the abuse and diversion of such products. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. Hikma denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defence of these cases.

37. Contingent liabilities continued

A contingent liability existed at the balance sheet date in respect to a standby letter of credit totalling $9 million (2018: $9 million) for potential stamp duty obligation that may arise for repayment of a loan by intercompany guarantors. It's not probable that the repayment will be made by the intercompany guarantors.

On April 25, the European Commission released its decision that certain tax exemptions offered by the UK authorities could constitute State Aid and where this is the case, the relevant tax will need to be paid to the UK tax authorities. The UK Government has subsequently appealed against this decision. In common with other UK headquartered international companies whose arrangements were in line with current UK CFC legislation, Hikma may be affected by the outcome of this decision and has estimated the maximum potential liability to be approximately $3 million. Hikma is reviewing the details of the decision and assessing any impact upon the Company's tax position. HMRC are expected to write to the Company shortly stating their position. Based on management's understanding of legislation and professional advice taken on the matter, management does not believe that a provision is warranted.

38. Share-based payments

Executive incentive plan

The 2014 Executive Incentive Plan (EIP) was approved by shareholders at the 2014 Annual General Meeting. The EIP is a combined cash bonus (element A), deferred shares (element B) and restricted shares (element C) schemes. Under the EIP, the Company makes grants of conditional awards and $nil cost options under elements B and C to the Executive Directors and senior executives of the Group. Awards under all elements are dependent on the achievement of individual and Group KPIs over one year prior to grant. The shares awarded under element B are not released for a period of two years during which they are subject to forfeiture conditions. The shares awarded under element C are not released for a period of three years, but are not subject to a forfeiture condition. Members of the Executives Committee must retain 100% of the shares received from elements B and C for a period of five years from the date of grant.

Year 2019	**2019 grants 17 May**	**2019 grants 12 March**	**2018 grants 7 June**	**2018 grants 16 May**	**2017 grants 11 May**	**2016 grants 11 May**	**2016 grants 17 March**	**2015 grants 10 April**	**Total Number**
Beginning balance	–	–	28,818	553,741	548,046	30,115	212,403	24,024	1,397,147
Granted during the year	246,076	593,819	–	–	–	–	–	–	839,895
Exercised during the year	–	–	(28,818)	(50,281)	(351,128)	(11,944)	(161,053)	–	(603,224)
Outstanding at 31 December	**246,076**	**593,819**	**–**	**503,460**	**196,918**	**18,171**	**51,350**	**24,024**	**1,633,818**
Exercisable at 31 December	–	–	–	–	36,630	18,171	51,350	24,024	130,175
Weighted average remaining contractual life (years)	1.38	1.67	–	2.91	2.70	6.36	6.21	5.28	3.13

Year 2018	2018 grants 7 June	2018 grants 16 May	2017 grants 11 May	2016 grants 11 May	2016 grants 17 March	2015 grants 15 May	2015 grants 10 April	Total Number
Beginning balance	–	–	608,376	149,579	448,875	47,000	114,430	1,368,260
Granted during the year	28,818	553,741	–	–	–	–	–	582,559
Exercised during the year	–	–	(60,330)	(119,464)	(236,472)	(47,000)	(90,406)	(553,672)
Outstanding at 31 December	28,818	553,741	548,046	30,115	212,403	–	24,024	1,397,147
Exercisable at 31 December	–	–	–	30,115	35,620	–	24,024	89,759
Weighted average remaining contractual life (years)	9.40	3.66	2.63	0.36	2.36	–	6.28	2.84

The cost of the EIP of $15 million (2018: $13 million) has been recorded in the consolidated income statement as part of general and administrative and sales and marketing expenses.

The fair value per share is the face value of shares on the date of grant less the present value of dividends expected to be paid during this period. Valuation is based on Black-Scholes methodology for nil-cost options.

The weighted average share price for 2019 is $23.24 (2018: $19.59).

38. Share-based payments continued

	Date of grants	Number granted	The estimated fair value of each share option granted $	The share price at grant date $
EIP 1	10/04/2015	338,808	32.78	33.24216
EIP 2	15/05/2015	118,000	32.42	33.11449
EIP 3 B	17/03/2016	242,608	26.21	26.97918
EIP 3 C	17/03/2016	206,267	26.21	26.97918
EIP 4	11/05/2016	165,553	31.69	32.15333
EIP 5 B	13/04/2017	428,528	23.52	23.97771
EIP 5 C	13/04/2017	184,741	23.29	23.97771
EIP 6 B	16/05/2018	440,231	18.45	19.09082
EIP 6 C	16/05/2018	113,456	18.14	19.09082
EIP 7	07/06/2018	28,818	17.89	18.83410
EIP7 B	12/03/2019	313,288	21.00	21.75408
EIP7 C	12/03/2019	208,529	20.63	21.75408
EIP8	17/05/2019	246,076	21.41	22.17868
EIP9	12/03/2019	72,000	20.63	21.75408

The exercise price of the share award is $nil.

Management incentive plan

The 2009 Management Incentive Plan (MIP) was approved by shareholders at the 2010 Annual General Meeting and the 2018 MIP was approved by shareholders at the 2018 annual general meeting, whereby shareholders consented to the Company satisfying awards under the MIP from newly issued shares. Under the MIP, the Company makes grants of conditional awards to management across the Group below senior management level. Awards are dependent on the achievement of individual and Group KPIs over one year and are then subject to a two-year holding period. The 2009 MIP awards were made at the start of the KPI performance period, whereas form 2011 onwards the awards are made at the end of the KPI performance period.

Details of the grants under the plan are shown below:

Year 2019	2019 grants 17 May Number	2018 grants 16 May Number	2017 grants 19 May Number	2016 grants 11 May Number	2015 grants 14 May Number	2014 grants 11 June Number	2013 grants 17 May Number	Total Number
Outstanding at 1 January	–	436,362	238,466	8,254	10,563	8,149	4,787	706,581
Granted during the year	436,107	–	–	–	–	–	–	436,107
Exercised during the year	(3,646)	(22,666)	(200,631)	–	(1,709)	(2,259)	(1,774)	(232,685)
Expired during the year	(23,675)	(12,826)	(845)	–	–	–	–	(37,346)
Outstanding at 31 December	**408,786**	**400,870**	**36,990**	**8,254**	**8,854**	**5,890**	**3,013**	**872,657**
Weighted average remaining contractual life (years)	1.38	1.03	6.14	6.36	5.37	4.45	3.38	1.28

Year 2018	2018 grants 16 May Number	2017 grants 19 May Number	2016 grants 11 May Number	2015 grants 14 May Number	2014 grants 11 June Number	2013 grants 17 May Number	Total Number
Outstanding at 1 January	–	259,099	173,725	10,563	8,149	4,787	456,323
Granted during the year	443,288	–	–	–	–	–	443,288
Exercised during the year	(3,960)	(17,270)	(165,471)	–	–	–	(186,701)
Expired during the year	(2,966)	(3,363)	–	–	–	–	(6,329)
Outstanding at 31 December	436,362	238,466	8,254	10,563	8,149	4,787	706,581
Weighted average remaining contractual life (years)	1.76	0.37	7.34	6.37	5.45	4.38	1.28

The cost of the MIP of $9 million (2018: $8 million) has been recorded in the consolidated income statement as part of general and administrative, sales and marketing, cost of sales and research and development expenses.

The fair value per share is the face value of shares on the date of grant less the present value of dividends expected to be paid during this period. Valuation is based on Black-Scholes methodology for nil-cost options.

38. Share-based payments continued

The weighted average share price for 2019 is $23.24 (2018: $19.59).

	Date of grants	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected dividends yield %
MIP 1	19/03/2009	340,000	4.89	5.11	1.47
MIP 2	28/03/2010	147,561	9.15	9.36	1.15
MIP 3	11/05/2011	356,894	12.96	13.23	1.00
MIP 4	18/05/2012	412,056	9.47	9.72	1.29
MIP 5	17/05/2013	252,482	14.61	14.93	1.10
MIP 6	11/06/2014	225,904	27.73	28.33	0.71
MIP 7	11/05/2015	145,918	32.17	32.63	0.71
MIP 8	11/05/2016	196,373	31.73	32.20	0.73
MIP 9	19/05/2017	273,724	22.09	22.54	1.01
MIP 10	16/05/2018	443,288	18.45	19.09	1.71
MIP 11	17/05/2018	436,107	21.41	22.18	1.79

The exercise price of the share award is $nil.

Long-term incentive plan

The 2007 long-term incentive plan (LTIP) was approved by shareholders at the 2007 Annual General Meeting and the last grant was made under the LTIP during the year ended 31 December 2014. The LTIP is settled by equity instruments, with 15 separate grant dates. Under the LTIP, conditional awards and $nil cost options were granted which vest after three years' subject to a total shareholder return (TSR), revenue growth, earnings per share and return on invested capital performance conditions. The TSR condition measures the Group's TSR relative to a comparator group of other pharmaceutical companies. The TSR vesting schedule dictates that 20% of awards vest for median performance and 100% for upper quartile performance, with pro-rata vesting in between these points. No awards vest for performance, which is below the median.

Details of the grants under the plan are shown below:

Date of grants	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected volatility	Expected dividend yield	Risk-free interest rate
3-Dec-2014	5,899	23.28	31.39	25.40%	0.71%	1.28%
11-Jun-2014	151,429	23.47	28.62	25.40%	0.71%	1.28%
29-May-2014	109,000	22.67	27.63	27.00%	0.73%	1.15%
3-Apr-2014	89,727	23.25	27.73	26.00%	0.72%	1.17%
6-Nov-2013	20,802	15.18	19.41	26.00%	0.89%	0.89%
17-May-2013	470,683	11.00	14.92	26.40%	1.10%	0.45%
16-Mar-2012	547,780	8.65	11.43	30.31%	1.14%	0.67%
18-Mar-2011	646,054	9.00	11.74	37.04%	1.11%	1.65%
22-Mar-2010	730,253	6.97	9.00	37.18%	1.20%	1.88%
19-May-2009	200,000	3.89	6.67	38.98%	1.22%	1.92%
19-Mar-2009	920,000	2.94	5.11	38.98%	1.47%	1.88%
29-Apr-2008	700,000	5.46	9.22	31.47%	0.08%	4.50%
10-Sep-2007	150,000	4.70	8.28	34.64%	0.08%	5.00%
23-Apr-2007	466,000	4.47	7.69	34.64%	0.08%	5.45%
2-Apr-2007	160,000	4.33	7.46	34.64%	0.08%	5.40%

All long-term incentive plans have ten years' contractual life and vest after three years.

38. Share-based payments continued

The estimated fair value of each share option granted in the LTIP was calculated by applying the Monte Carlo simulation methodology. For awards made from 2011, 50% of the award is subject to a TSR performance condition which was valued by applying the Monte Carlo simulation methodology, the remaining 50% of the award is subject to financial metrics which are valued by applying the Black-Scholes model. For further details, see the Remuneration Committee report.

The exercise price of the share award is $nil.

Further details on the number of shares outstanding are as follows:

Year 2019	2014 grants 11 June Number	2013 grants 17 May Number	2012 grant 16 March Number	Total Number
Outstanding at 1 January	19,470	26,630	22,220	68,320
Exercised during the year	(4,347)	(4,637)	(6,030)	(15,014)
Expired during the year	(903)	(718)	(16,190)	(17,811)
Outstanding at 31 December	**14,220**	**21,275**	**–**	**35,495**
Exercisable at 31 December	14,220	21,275	–	35,495
Weighted average remaining contractual life (years)	4.45	3.38	–	4.30

Year 2018	2014 grants 11 June Number	2013 grants 17 May Number	2012 grant 16 March Number	Total Number
Outstanding at 1 January	24,720	26,630	22,220	73,570
Exercised during the year	(4,347)	–	–	(4,347)
Expired during the year	(903)	–	–	(903)
Outstanding at 31 December	19,470	26,630	22,220	68,320
Exercisable at 31 December	19,470	26,630	22,220	68,320
Weighted average remaining contractual life (years)	5.45	4.38	3.21	4.30

No costs for LTIPs were recognised in the consolidated income statement (2018: $nil credited to profit and loss).

The weighted average share price for 2019 is $23.24 (2018: $19.95).

39. Related parties

Transactions between Hikma Pharmaceuticals PLC (Hikma) and its subsidiaries (together, the Group) have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates, joint ventures and other related parties are disclosed below.

Trading transactions:

During the year ended 31 December 2019, the Group entered into the following transactions with related parties:

Boehringer Ingelheim GmbH (BI): is a related party of Hikma because BI owns 16.5% (2018: 16.6%) of the share capital of Hikma, controls 11.8% (2018: 11.8%) of the voting capital of Hikma, has the right to appoint a director of Hikma and a senior executive of BI holds a directorship of Hikma. The Group total sales to BI amounted to $64.7 million (2018: $66.6 million) and the Group total purchases from BI amounted to $1 million (2018: $5.1 million). As at the year end, the amount owed from BI to the Group was $7.3 million (2018: $18.1 million). Additionally, balances arising from the acquisition of the Columbus business from BI relating to contingent consideration are disclosed in Notes 24, 28 and 31.

Capital Bank, Jordan: is a related party of Hikma because one director of Hikma is the founder and former Chief Executive Officer of Capital Bank. At the year end, total cash balance at Capital Bank was $8 million (2018: $7.5 million) and utilisation of facilities granted by Capital Bank to the Group amounted to $nil (2018: $nil).The interest expenses/commissions amounted to $0.8 million (2018: $0.7 million). The interest income is within market rate.

Darhold Limited (Darhold): is a related party of Hikma because three directors of Hikma jointly constitute the majority of directors and shareholders (with immediate family members) in Darhold and because Darhold owns 24.76% (2018: 24.85%) of the share and voting capital of Hikma. Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited during the year.

Hikmacure Limited (Hikmacure): is a related party of Hikma because Hikmacure is a 50:50 joint venture (JV) with MIDROC Pharmaceuticals Limited (MIDROC). Hikma and MIDROC have invested in Hikmacure in equal proportions of $2.5 million each in cash (2018: $2.5 million). During 2017 Hikma and MIDROC have agreed not to proceed with and to liquidate the venture. During 2018, Hikmacure granted two loans of $2.3 million each to the Group and MIDROC.

HMS Holdings SAL (HMS): is a related party of Hikma because HMS is owned by the family of two directors of Hikma. Other than dividends (as paid to all shareholders), there were no transactions between the Group and HMS during the year.

Hubei Haosun Pharmaceutical Co. Ltd (Haosun): is a related party of Hikma because the Group holds a non-controlling interest of 49% joint venture (JV) with Haosun (2018: 49%). During 2019, total purchases from Haosun were $3 million (2018: $2.3 million). At 31 December 2019, the amount owed from Hubei Haosun Pharmaceutical to the Group amounted to $0.2million (2018: $0.2 million).

Labatec Pharma (Labatec): is a related party of the Group because Labatec is owned by the family of two directors of Hikma. During 2019, total Group sales to Labatec amounted to $2 million (2018: $2.9 million), and total Group purchases amounted to $0.3 million (2018: $nil). As at the year end, the amount owed by Labatec to the Group was $0.4 million (2018: $0.3 million).

Remuneration of key management personnel

The remuneration of the key management personnel (comprising the Executive Directors, Non-Executive Directors and the senior management as set out in the Governances' 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 75 to 103.

	2019 $m	2018 $m
Short-term employee benefits	**16.3**	17.4
Share-based payments	**9.5**	8.0
Post-employment benefits	**0.2**	0.1
Other benefits	**0.8**	0.8
	26.8	26.3

40. Subsidiaries, associates and joint ventures

The subsidiaries, associates and joint ventures of Hikma Pharmaceuticals PLC are as follows:

			Owned by the Group		*Owned by PLC 'the Company'*	
Company's name	**Incorporated in**	**Address of the registered office**	**Ownership% Ordinary shares At 31 December 2019**	Ownership% Ordinary shares At 31 December 2018	**Ownership% Ordinary shares At 31 December 2019**	Ownership% Ordinary shares At 31 December 2018
Al Jazeera Pharmaceutical Industry S.A.R.L	Algeria	Zone d'Activité, Propriété N° 379 Section N° 04 Staoueli, Algeria	99%	99%	–	–
Algerie Industrie Mediterraneene Du Medicament S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	97%	97%	–	–
Hikma Pharma Algeria S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	100%	100%	–	–
SPA Al Dar Al Arabia pour la Fabrication de Médicaments	Algeria	Zone d'Activité El Boustane N° 78, Sidi Abdellah, Al Rahmania, Algeria	100%	100%	–	–
Hubei Haosun Pharmaceutical Co Ltd	China	No 20 Juxian Road, Gedian Economic and Technology Development Area, Hubei, China	49%	49%	–	–
Hikma Canada Limited	Canada	Blaney McMurtry LLP, Suite 15000 2 Queen Street, Toronto ON M5C 3G5	100%	–	–	–
Hikma Pharma S.A.E	Egypt	12 El-Esraa Street, El-Mohandeseen, Lebanon Square, Giza, Egypt	100%	100%	–	–
Hikma Pharmaceuticals Industries S.A.E	Egypt	16 Ahmed Hosny Street, First Zone, Naser City, Cairo, Egypt	100%	100%	–	–
Hikma Specialised Pharmaceuticals (S.A.E)	Egypt	10 D, 11 D, Industrial Zone, Badr City, Cairo, Egypt	98%	98%	–	–
Hikmacure Pharmaceuticals Share Company	Ethiopia	Addis Ababa, Bole Sub City, Kebele 16, Woreda, Ethiopia	50%	50%	–	–
Hikma Pharma GmbH	Germany	Lochhamer Strasse 13, 82152, Martinsried, Germany	100%	100%	–	–
Thymoorgan Pharmazie GmbH	Germany	Schiffgraben 23, DE-38690, Goslar, OT Vienenburg, Deutchland	100%	100%	–	–
Hikma Finance (Ireland) Limited	Ireland	2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland	100%	100%	–	–
Hikma Italia S.p.A	Italy	Viale Certosa 10, 27100, Pavia, Italy	100%	100%		
Hikma Pharma Limited*	Jersey	47 Esplanade, St Helier, JE1 0BD, Jersey	100%	100%	100%	100%
Arab Medical Containers LLC	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	100%	100%	–	–
Arab Pharmaceutical Manufacturing PSC	Jordan	Al Buhaira – Salt, P.O. Box 42, Jordan	100%	100%		
Future Pharmaceutical Industries LLC	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	100%	100%	–	–
Hikma International Pharmaceuticals LLC (Exempt)	Jordan	122 Queen Zain AlSharaf Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%	–	–
Hikma International Ventures and Development LLC (Exempt)	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma Investment LLC*	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma Pharmaceuticals LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma United Renewable Energy	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–

The Group's subsidiaries principally operate in trading pharmaceuticals products and associated goods and services. Companies marked (*) were incorporated as holding companies.

40. Subsidiaries, associates and joint ventures continued

Company's name	Incorporated in	Address of the registered office	Owned by the Group: **Ownership% Ordinary shares At 31 December 2019**	Owned by the Group: Ownership% Ordinary shares At 31 December 2018	Owned by PLC 'the Company': **Ownership% Ordinary shares At 31 December 2019**	Owned by PLC 'the Company': Ownership% Ordinary shares At 31 December 2018
International Pharmaceutical Research Centre LLC	Jordan	P.O. Box 963166, Amman, 11196, Jordan	51%	51%	–	–
Sofia Travel and Tourism	Jordan	Mustafa Semreen Complex Building No. 29, Jamal Qaytoqa Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%	–	–
Specialised for Pharmaceutical Industries LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma CIS JSC	Kazakhstan	Apt. 1, House 7, Building-28, 'Keremet' Microdistrict, Bostandykskiy District, Almaty, A15C8X2, Kazakhstan	100%	100%	–	–
Hikma Pharmaceuticals Co. Ltd., Almaty (Kazakhtan) Representative Office	Kazakhstan	Apt. 1, House 7, Building-28, 'Keremet' Microdistrict, Bostandykskiy District, Almaty, A15C8X2, Kazakhstan	100%	100%	–	–
Hikma Liban S.A.R.L.	Lebanon	Saria Building, Ground Floor, Embassies Street, Bir Hassan, Beirut, Lebanon	67%	67%	–	–
Hikma Finance (Luxembourg) SARL	Luxembourg	20 rue des Peupliers, L-2328 Luxembourg	100%	100%	–	–
Société de Promotion Pharmaceutique du Maghreb (Promopharm S.A.)	Morocco	Zone Industrielle du Sahel, Rue N. 7, Had Soualem, Province de Settat, Morocco	94%	94%		
Hikma Pharma Benelux B.V	Netherlands	Nieuwe Steen 36, 1625 HV, Hoorn, Netherlands	100%	100%	–	–
Hikma Farmaceutica, (Portugal) S.A	Portugal	Estrada Rio Da Mo no.8, 8a, 8B-Fervenca, 2705-906, Terugem SNT, Portugal	100%	100%	–	–
Lifotec Farmaceutica S.G.P.S S.A*	Portugal	Estrada Nacional 9, Fervença, São João das Lampas e Terrugem, Sintra, Portugal	100%	100%	–	–
Hikma Shefaa for Pharmaceuticals and Medical Supplies PSC	Palestine	West Bank Al Birah, Ramallah	51%	51%	–	–
Hikma Pharmaceuticals	Palestine	West Bank Al Birah, Ramallah	100%	100%	–	–
Pharma Ixir Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	51%	51%	–	–
Savannah Pharmaceutical Industries Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	100%	100%	–	–
Eurohealth International S.A.R.L.	Switzerland	Rue des Battoirs 7, 1205 Genève, Switzerland	100%	100%	100%	100%
APM Tunisie S.A.R.L.	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage, 2035, Tunisia	99%	99%	–	–
STE D'Industriee Pharmaceutique Ibn Al Baytar*	Tunisia	11 Rue 8610 Charguia 1-2035 Tunis-Carthage, Tunisia	100%	100%	–	–
STE Hikma Pharma Tunisie	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage 2035, Tunisia	100%	100%	–	–
STE Medicef	Tunisia	Avenue Habib Bourguiba, Sidi Thabet, 2020 Ariana, Tunisia	100%	100%	–	–

The Group's subsidiaries principally operate in trading pharmaceuticals products and associated goods and services. Companies marked (*) were incorporated as holding companies.

40. Subsidiaries, associates and joint ventures continued

Company's name	Incorporated in	Address of the registered office	*Owned by the Group* **Ownership% Ordinary shares At 31 December 2019**	*Owned by the Group* Ownership% Ordinary shares At 31 December 2018	*Owned by PLC 'the Company'* **Ownership% Ordinary shares At 31 December 2019**	*Owned by PLC 'the Company'* Ownership% Ordinary shares At 31 December 2018
Hikma Emerging Markets and Asia Pacific FZ-LLC	United Arab Emirates	Premises 202-204, Floor 2, Building 26, Dubai, United Arab Emirates	100%	100%	100%	100%
Hikma International Trading Limited	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%	100%	100%
Hikma MENA FZE*	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%	100%	100%
Hikma (Maple) Limited	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Hikma Acquisitions (UK) Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	100%	100%
Hikma Holdings (UK) Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Hikma UK Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Hikma Ventures Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	100%	100%
Hikmacure Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	50%	50%	–	–
West-Ward Holdings Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Hikma Pharmaceuticals International Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Bedford Property Holdings, Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle, DE 19802, United States	100%	100%	–	–
Eurohealth (U.S.A.) Inc	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle, DE 19802, United States	100%	100%	–	–
Hikma Speciality USA, Inc.	United States	C T Corporation System, 800 S Gay Street, Suite Knoxville TN 2021 37929-9710, United States	100%	100%	–	–
Hikma Labs Inc.	United States	Corporation Trust Company of Nevada 701 S Carson Street Suite 200, Carson City, NV 89701, United States	100%	100%	–	–
West-Ward Columbus Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%	–	–
Hikma Injectables, Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%	–	–
Hikma Pharmaceuticals USA Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%	–	–

The investments in subsidiaries are all stated at cost in Hikma Pharmaceuticals PLC, and are consolidated in line with IFRS 10.

The investments in associates and joint ventures are accounted for using the equity method in the Group (Note 18).

The Group's subsidiaries principally operate in trading pharmaceuticals products and associated goods and services. Companies marked (*) were incorporated as holding companies.

41. Defined contribution retirement benefit plan

Hikma Pharmaceuticals PLC has defined contribution retirement plans in five of its subsidiaries: Hikma Pharmaceuticals PLC – United Kingdom, Hikma Pharmaceuticals Limited (Jordan), Arab Pharmaceutical Manufacturing Co, Hikma Pharmaceuticals USA Inc. and West-Ward Columbus Inc. The details of each contribution plan are as follows:

Hikma Pharmaceuticals PLC

The Group currently has a defined contribution pension plan available for staff working in the United Kingdom whereby the Group contributes 10% of basic salary. Employees are immediately entitled to 100% of the Group's contributions. The Group's contributions for the year ended 31 December 2019 were $0.3 million (2018: $0.4 million).

Hikma Pharmaceuticals LLC

The Group currently has an employee savings plan whereby the Group fully matches employees' contributions, which are fixed at 10% of basic salary. Employees are entitled to 100% of the Group contributions after three years of employment with the Company. The Group's contributions for the year ended 31 December 2019 were $3 million (2018: $3 million).

Arab Pharmaceutical Manufacturing PSC

The Group currently has an employee saving plan whereby the employees contribute at 10%, and the Company at 10% of basic salary. After three years of employment with the Company, employees are entitled to 100% of the Company contributions. The Group's contributions for the year ended 31 December 2019 were $0.6 million (2018: $0.9 million).

Hikma Pharmaceuticals USA Inc. & West-Ward Columbus Inc: (401 (k) salary saving plan)

Hikma Pharmaceuticals USA Inc. & West-Ward Columbus Inc had a 401(k)-defined contribution plan, which allows all eligible employees to defer a portion of their income through contributions to the plan. All employees not covered by any collective bargaining agreement are eligible after being employed for 90 days. Employees can defer up to 95% of their gross salary into the plan, not to exceed $19,000 (2018: $18,500), not including catch-up contributions available to eligible employees as outlined by the Internal Revenue Service. The Company matches the employees' eligible contribution dollar-for-dollar on the first 6% of eligible pay contributed to the plan. Employer contributions vest 50% after two years of service and 100% after three years of service. Employees are considered to have completed one year of service for the purposes of vesting upon the completion of 1,000 hours of service at any time during a plan year. Employer contributions to the plan for the year ended 31 December 2019 were $8.7 million (2018: $10.5 million). The assets of both retirement plans are held separately from those of the Group. The only obligation of the Group with respect to both retirement benefit plans is to make specified contributions.

42. Business combinations

Acquisition and selling of Medlac Pharma

On 2 January 2019, the Group acquired 100% of the share capital of Medlac Pharma Italy Co Ltd (Medlac), an injectable manufacturing company in Vietnam. As part of the consideration the Group paid an initial upfront payment of $8 million and incurred $1 million acquisition cost. On 29 April 2019, the Group sold Medlac back to the original seller for a consideration of $5 million, resulting in a total loss of $4 million (Note 6).

Independent auditors' report to the members of Hikma Pharmaceuticals PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Hikma Pharmaceuticals PLC's Group financial statements and Company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2018 and of the Group's profit and cash flows for the year then ended
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law)
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and parent Company balance sheets as at 31 December 2018; the consolidated income statement and statement of comprehensive income, the consolidated cash flow statement, and the consolidated and parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview

- Overall Group materiality: $17 million (2017: $14 million), based on 5% of profit before tax after adding back the following exceptional and other items: research and development costs relating to generic Advair Diskus®, restructuring costs as a result of the closure of the Eatontown, New Jersey manufacturing plant and the re-measurement of acquisition-related liabilities.
- Overall Company materiality: capped at $10 million (2017: $10 million), but calculated based on 1% of total assets.
- Our audit included full scope audits of seven components, audit procedures on specific financial statement line items of one component and audit procedures performed centrally over specific material balances at other locations around the world. Taken together the above procedures account for 84% of consolidated revenue, 75% of consolidated profit before tax and 83% of consolidated total assets.
- Recoverability of the carrying value of intangible assets and goodwill (Group).
- Recognition and measurement of accruals for chargebacks, rebates and returns in the US (Group).
- Recognition and measurement of uncertain tax positions and recoverability of deferred tax assets (Group).
- No key audit matters specific to the Hikma Pharmaceuticals PLC parent Company financial statements were identified.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to regulations set out by the United States Food and Drug Administration (the FDA) and other industry regulators, defence of products, pricing and practices legislation, taxation and anti-bribery and corruption legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- discussions with management and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud
- assessment of matters reported on the Group's whistleblowing helpline and results of management's investigation of such matters
- challenging assumptions made by management in their significant accounting estimates in particular in relation to estimation of rebate and return accruals, impairment of intangible assets, and the recognition and measurement of litigation and contingent liabilities and uncertain tax provisions (see related key audit matters below)
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management, journals posted and reviewed by the same individual and consolidation journals

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Recoverability of the carrying value of intangible assets and goodwill (Group)

Key audit matter	How our audit addressed the key audit matter
At 31 December 2018, the Group had goodwill of $279 million and intangible assets of $487 million (31 December 2017: $282 million and $503 million, respectively) comprising customer relationships, product-related intangible assets, software and other identified intangible assets. This is contained within three cash generating units (CGUs). For the year ended 31 December 2017, the Group recorded $1,105 million as an exceptional impairment charge primarily as a result of uncertainty in the generics market and the delay in approval of its application for its generic version of Advair Diskus®. All CGUs containing goodwill and indefinite-lived intangible assets must be tested for impairment annually. The Group is also required to complete an impairment review of its portfolio of finite-lived intangible assets where there are indicators of impairment. Additionally, the Group must consider whether there are indicators of impairment reversal at each reporting date. The determination of carrying values requires judgement on the part of management in identifying and then estimating the higher of the value in use and a fair value less costs to dispose for the relevant CGUs. These amounts are based on management's view of future cash flow forecasts and external market conditions such as future pricing, probability of technical and regulatory success and the most appropriate discount rate. There is a risk that the carrying value of intangible assets may be higher than the recoverable amount. Additionally, there is judgement in relation to triggering the reversals of impairments recognised in previous periods as IAS 36 states that impairment losses are reversed if there has been an event or trigger that indicates a significant, discrete and sustained change. We focused on the intangible assets in the Generics CGU, to assess if there were any significant changes in estimates relating to the external market conditions. We further focused specifically on the business plan cash flows and assumptions in the current financial year. No impairment charges or reversals of previously recognised impairment charges were recorded in the year. *Refer to notes 3 and 16 in the Group financial statements and the Audit Committee review of areas of significant judgement on page 74.*	We assessed the determination of the CGUs identified for the impairment calculation by considering the CGUs previously used as well as from our understanding of the business and how it is monitored. With support from our valuations specialists, we obtained the Group's impairment analyses and tested the integrity of the calculations, reasonableness of key assumptions, including product profit and cash flow growth or decline, terminal values and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to industry forecasts. We performed the following procedures on the Group's impairment analyses, with significant involvement from senior engagement team members: — corroborated the information to Board reviewed budgets and forecasts — understood management's process for forecasting cash flows, which is underpinned by models that include a product-by-product analysis. We challenged management's market and pricing assumptions by comparing them to historical and third party market data. We also utilised our valuations specialists to identify any anomalies or trends that warranted further investigation and corroboration — for the Group's In Process Research & Development (IPRD) in 2018 we corroborated products included in the valuation model to minutes from the Product Review Committee meetings, where decisions on pipeline and IPRD opportunities are made — in respect of costs and resulting profit margins in management's model, we challenged management on forecasted trends and assumed cost savings in the context of the Group's plans for ongoing product development, maintenance of its manufacturing facilities via capital expenditure and other investment and plans for organic growth — performed look back testing to understand how accurate management had been in its previous forecasting — we recalculated the weighted average cost of capital and considered if the amount was within a reasonable range We consider management's key assumptions to be within a reasonable range. For those intangible assets including goodwill where management determined that no impairment was required, we found that these judgements were supportable. We also obtained management's sensitivity analyses which showed the impact of reasonably possible changes to key assumptions. We considered whether these were the key sensitivities and performed our own sensitivity analyses. We considered management's policy around impairment reversal given the size of the impairment loss recognised in 2017. We considered both the conditions in the US generics market and factors relating to generic Advair Diskus®. Based on our procedures, we concluded that reversing any of the prior year impairment charge was currently not appropriate. This will continue to be monitored closely during 2019. We also validated the appropriateness of the related disclosures in note 16 of the financial statements.

Recognition and measurement of accruals for chargebacks, rebates and returns in the US (Group)

Key audit matter	How our audit addressed the key audit matter
Management is required to make certain judgements and estimates in respect of revenue recognition and specifically the level of chargebacks, returns and other revenue deductions that will be realised against the Group's revenue. These estimates are material to the financial statements and involve judgement, hence the reason for inclusion as an area of focus. The largest of these estimates relates to revenue recognition, chargebacks, rebates and returns in the US for which the Group recorded revenue deductions for the year ended 31 December 2018 of $2,057 million (2017: $1,933 million). We focused on this area as rebates, discounts, allowances and returns arrangements and the deductions from gross revenue are complex and because establishing an appropriate accrual requires significant estimation by the Directors. This judgement is complex in a US healthcare environment in which competitive pricing pressure and product discounting are trends. The Directors have determined an accrual of $409 million to be necessary at 31 December 2018 (2017: $388 million). *Refer to the Audit Committee review of areas of significant judgement page 74, significant accounting policies note 2, trade and other receivables note 21 and other current liabilities note 28.*	We considered the Group's processes for making judgements in this area and performed the following procedures: — we assessed applicable controls in place around this process, tested the nature of the pricing arrangements and the accuracy of calculations and agreed the rates in customer agreements with those used in management's calculations of the required reserves and deductions — we obtained management's calculations for accruals under applicable schemes and validated the assumptions used by reference to the Group's stated commercial policies, the terms of the applicable contracts and historical levels of product returns — we compared the assumptions to contracted prices, historical rebates, discounts, allowances and returns levels (where relevant) and to current payment trends. We also considered the historical accuracy of the Group's estimates in previous years and the impact of competitive pricing pressures and greater discounting in the US market more generally — we formed an independent expectation of the largest elements of the reserve at 31 December 2018 using third party data and compared this expectation to the actual accrual recognised by the Group Based on the procedures performed, we did not identify any material differences between our independent expectations and the accrual recorded.

Recognition and measurement of uncertain tax positions and recoverability of deferred tax assets (Group)

Key audit matter	How our audit addressed the key audit matter
The Group operates across a large number of jurisdictions due to its geographic spread, resulting in complex cross-border tax arrangements. As a result, it is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including transaction related tax matters and transfer pricing arrangements. Judgement is required in assessing the level of provisions required in respect of uncertain tax positions. At 31 December 2018, the Group has recorded provisions of $53 million in respect of uncertain tax positions (2017: $61 million). In 2018 management has recorded an exceptional deferred tax credit of $43 million relating to the 2017 impairment charge on US intangible assets. This credit was not recognised in 2017 due to insufficient forecast taxable profits in the US to meet the recognition criteria in IAS 12. At 31 December 2018, the total deferred tax asset was $125 million (2017: $135 million). *Refer to notes 12 and 13 in the Group financial statements.*	In conjunction with our UK, US, international tax and transfer pricing specialists, we evaluated and challenged management's judgements in respect of estimates involved in the determination of uncertain tax provisions and judgements taken in the measurement of deferred tax assets. In understanding and evaluating management's judgement relating to the level of provisioning for uncertain tax positions, we considered the status of ongoing tax authority audits, the outcome of previous tax authority audits, developments in the tax environment and external tax advice received by the Group, where relevant, to satisfy ourselves that the tax provisions had been appropriately recorded or adjusted to reflect the latest developments. In respect of deferred tax we considered whether deferred tax assets were recoverable with reference to Board reviewed forecasts. We ensured that these forecasts were consistent with those used for impairment testing (see above). We also challenged management on whether it is appropriate to now recognise deferred tax assets in respect of the 2017 impairment charge. We concur with management that, as a result of changes to the US business model due to an internal reorganisation, which increased US taxable profits principally in relation to the Injectables business, it is now sufficiently probable that future taxable profit will be available against which the tax relief arising on the 2017 impairment loss can be utilised. Consequently we believe it is now appropriate to recognise a deferred tax asset. We also considered the appropriateness of the related disclosures in notes 12 and 13 to the financial statements. Based on the procedures performed, we noted no material matters from our work.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Procedures were performed prior to year-end to evaluate component procedures and controls, and visits were undertaken by senior team members to component locations, to refine the audit approach and ensure sufficient oversight of component auditors.

As at 31 December 2018, Hikma Pharmaceuticals PLC had in total 51 entities (subsidiaries and associates) as part of the Group. These entities may operate solely in one segment but more commonly operate across two. Each territory (component) submits a Group reporting package to Hikma's central accounting team including its income and financial position prepared under Group accounting policies which are in compliance with IFRSs. We requested component teams in the US (Hikma Pharmaceuticals USA Inc. and West-Ward Columbus Inc.), Jordan (Hikma Jordan), Saudi Arabia (Hikma Al Jazeera Pharmaceuticals Industries), Algeria (Hikma Pharma Algeria) and Portugal (Hikma Portugal) to audit reporting packages of certain entities in these territories and report the results of their full scope audit work to us. This work was supplemented by procedures over specific balances performed on Hikma Pharmaceuticals International Limited (HPIL) and procedures performed centrally including the consolidation, taxation and certain component balances not covered by local component teams.

The involvement of the Group audit team in the work of the component auditors included conference calls, meetings with local management, review of working papers, attendance at audit clearance meetings, and other forms of communication as considered necessary depending on the significance of the component and the extent of accounting and audit issues arising. Senior members of the Group audit team also visited the US and Jordan.

Taken together our audit work accounted for 84% of consolidated revenue, 75% of consolidated profit before tax, 83% of total assets and 73% of the adjusted profit measure we use as a basis for determining materiality.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	$17 million (2017: $14 million).	$10 million (2017: $10 million).
How we determined it	5% of profit before tax after adding back the following exceptional and other items: research and development costs relating to generic Advair Diskus®, restructuring costs as a result of the closure of the Eatontown, New Jersey manufacturing plant and the remeasurement of acquisition-related liabilities.	1% of total assets. This was capped at $10 million (2017: $10 million), but calculated based on 1% of total assets.
Rationale for benchmark applied	The Group's principal measure of earnings is core profit. Management believes that it reflects the underlying performance of the Group and is a more meaningful measure of the Group's performance. We took this measure into account in determining our materiality but did not add back certain non-core items unless we deemed them to be non-recurring in nature. Our materiality would have been higher if we had adjusted for all non-core items.	The Company holds the Group's investments and performs treasury functions on behalf of the Group. The strength of the balance sheet is the key measure of financial health that is important to shareholders since the primary concern for the parent Company is the payment of dividends and servicing of debt.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $1,500,000 and $10,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $850,000 (Group audit) (2017: $500,000) and $850,000 (Company audit) (2017: $500,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Group's and Company's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 62 to 107) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA (DTR) is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 62 to 107) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- the Directors' confirmation on page 58 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated
- the Directors' explanation on page 61 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the Code); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions
We have nothing to report in respect of our responsibility to report when:

- the statement given by the Directors, on page 107, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit

- the section of the Annual Report on page 74 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee

- the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors

Directors' Remuneration
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements
As explained more fully in the Directors' Responsibility Statement set out on page 107, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit or

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us or

- certain disclosures of Directors' remuneration specified by law are not made or

- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 11 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 December 2016 to 31 December 2018.

Mark Gill
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
12 March 2019

Consolidated income statement

For the year ended 31 December 2018

	Note	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Revenue	4	**2,076**	**(6)**	**2,070**	1,936	–	1,936
Cost of sales		**(1,004)**	**(16)**	**(1,020)**	(963)	(6)	(969)
Gross profit		**1,072**	**(22)**	**1,050**	973	(6)	967
Sales and marketing expenses		**(191)**	**(33)**	**(224)**	(188)	(48)	(236)
General and administrative expenses		**(246)**	**–**	**(246)**	(238)	(1)	(239)
Net impairment reversals on financial assets		**11**	**–**	**11**	–	–	–
Research and development expenses		**(118)**	**(29)**	**(147)**	(115)	(6)	(121)
Other operating expenses (net)	9	**(68)**	**(5)**	**(73)**	(46)	(1,072)	(1,118)
Total operating expenses		**(612)**	**(67)**	**(679)**	(587)	(1,127)	(1,714)
Operating profit/(loss)	5	**460**	**(89)**	**371**	386	(1,133)	(747)
Finance income	10	**3**	**–**	**3**	2	93	95
Finance expense	11	**(54)**	**(26)**	**(80)**	(60)	(26)	(86)
Loss from investment at fair value		**(1)**	**–**	**(1)**	–	–	–
Profit/(loss) before tax		**408**	**(115)**	**293**	328	(1,066)	(738)
Tax	12	**(73)**	**65**	**(8)**	(72)	(29)	(101)
Profit/(loss) for the year		**335**	**(50)**	**285**	256	(1,095)	(839)
Attributable to:							
Non-controlling interests	34	**3**	**–**	**3**	4	–	4
Equity holders of the parent		**332**	**(50)**	**282**	252	(1,095)	(843)
		335	**(50)**	**285**	256	(1,095)	(839)
Earnings/(loss) per share (cents)							
Basic	15	**137.8**		**117.0**	105.0		(351.3)
Diluted	15	**137.2**		**116.5**	104.6		(349.8)

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Note	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Profit/(loss) for the year		**335**	**(50)**	**285**	**256**	**(1,095)**	**(839)**
Other comprehensive income/(loss)							
Items that may be reclassified subsequently to the consolidated income statement, net of tax:							
Currency translation (loss)/gain		**(29)**	**–**	**(29)**	20	–	20
Items that will not be reclassified subsequently to the consolidated income statement, net of tax:							
Change in fair value of available-for-sale financial assets[1]	24	**–**	**–**	**–**	2	–	2
Change in the fair value of equity investments[2]	19	**7**	**–**	**7**	–	–	–
Total comprehensive income/(loss) for the year		**313**	**(50)**	**263**	**278**	**(1,095)**	**(817)**
Attributable to:							
Non-controlling interests		**1**	**–**	**1**	3	–	3
Equity holders of the parent		**312**	**(50)**	**262**	**275**	**(1,095)**	**(820)**
		313	**(50)**	**263**	**278**	**(1,095)**	**(817)**

1. This investment was previously designated as available-for-sale financial assets, upon transition to IFRS 9 it has been re-categorised as Investments measured at fair value through profit or loss (FVTPL)
2. This investment was previously classified as available-for-sale and stated at cost (under IAS 39 cost exemption); upon transition to IFRS 9 it has been re-categorised as Investments measured at fair value through other comprehensive income (FVTOCI)

Consolidated balance sheet

At 31 December 2018

	Note	2018 $m	2017 $m
Non-current assets			
Goodwill	16	**279**	282
Other intangible assets	16	**487**	503
Property, plant and equipment	17	**870**	828
Investment in associates and joint ventures	18	**11**	6
Deferred tax assets	13	**125**	135
Financial and other non-current assets	19	**57**	60
		1,829	1,814
Current assets			
Inventories	20	**528**	488
Income tax receivable		**74**	53
Trade and other receivables	21	**731**	707
Collateralised and restricted cash	22	**–**	4
Cash and cash equivalents	23	**276**	227
Other current assets	24	**59**	95
		1,668	1,574
Total assets		**3,497**	3,388
Current liabilities			
Bank overdrafts and loans	25	**74**	86
Trade and other payables	26	**465**	365
Income tax provision		**68**	82
Other provisions	27	**23**	26
Other current liabilities	28	**263**	238
		893	797
Net current assets		**775**	777
Non-current liabilities			
Long-term financial debts	29	**539**	670
Obligations under finance leases	30	**23**	20
Deferred tax liabilities	13	**16**	49
Other non-current liabilities	32	**329**	324
		907	1,063
Total liabilities		**1,800**	1,860
Net assets		**1,697**	1,528
Equity			
Share capital	33	**40**	40
Share premium		**282**	282
Other reserves		**(217)**	(190)
Retained earnings		**1,580**	1,382
Equity attributable to equity holders of the parent		**1,685**	1,514
Non-controlling interests	34	**12**	14
Total equity		**1,697**	1,528

The consolidated financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, on pages 116 to 167 were approved by the Board of Directors on 12 March 2019 and signed on its behalf by:

Said Darwazah
Director
12 March 2019

Sigurdur Olafsson
Director

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Merger and revaluation reserves $m	Translation reserve $m	Own shares $m	Total other reserves $m	Retained earnings $m	Share capital $m	Share premium $m	Equity attributable to equity shareholders of the parent $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2017	1,077	(248)	(1)	828	1,246	40	282	2,396	15	2,411
Loss for the year[1]	(1,039)	–	–	(1,039)	196	–	–	(843)	4	(839)
Change in fair value of available-for-sale financial assets (note 24)[2]	–	–	–	–	1	–	–	1	–	1
Currency translation gain/(loss)	–	21	–	21	–	–	–	21	(1)	20
Total comprehensive (loss)/income for the year	(1,039)	21	–	(1,018)	197	–	–	(821)	3	(818)
Cost of equity-settled employee share scheme (note 38)	–	–	–	–	22	–	–	22	–	22
Dividends on ordinary shares (note 14)	–	–	–	–	(79)	–	–	(79)	(2)	(81)
Adjustment arising from change in non-controlling interests (note 34)	–	–	–	–	(4)	–	–	(4)	(2)	(6)
Total transactions with owners, recognised directly in equity										
Balance at 31 December 2017 and 1 January 2018 as previously reported	38	(227)	(1)	(190)	1,382	40	282	1,514	14	1,528
Impact of IFRS 9[3]	–	–	–	–	(3)	–	–	(3)	–	(3)
Impact of IFRS 15[3]	–	–	–	–	(25)	–	–	(25)	–	(25)
Balance at 1 January 2018 as adjusted	38	(227)	(1)	(190)	1,354	40	282	1,486	14	1,500
Profit for the year	–	–	–	–	282	–	–	282	3	285
Change in the fair value of equity investments at fair value through other comprehensive income (note 19)[4]	–	–	–	–	7	–	–	7	–	7
Currency translation loss	–	(27)	–	(27)	–	–	–	(27)	(2)	(29)
Total comprehensive income/(loss) for the year	–	(27)	–	(27)	289	–	–	262	1	263
Total transactions with owners, recognised directly in equity										
Cost of equity-settled employee share scheme (note 38)	–	–	–	–	21	–	–	21	–	21
Dividends on ordinary shares (note 14)	–	–	–	–	(84)	–	–	(84)	(3)	(87)
Balance at 31 December 2018	**38**	**(254)**	**(1)**	**(217)**	**1,580**	**40**	**282**	**1,685**	**12**	**1,697**

1. In 2017 a loss of $1,039 million had been allocated from retained earnings to the merger and revaluation reserves in relation to the Columbus business impairment (note 6, 16 and 17)
2. This investment was previously designated as available-for-sale financial assets, upon transition to IFRS 9 it has been re-categorised as Investments FVTPL
3. The Group adopted IFRS 9 and IFRS 15 from 1 January 2018 (note 1, 4, 28 and 44)
4. This investment was previously classified as available-for-sale and stated at cost (under IAS 39 cost exemption); upon transition to IFRS 9 it has been re-categorised as Investments at FVTOCI

Consolidated cash flow statement

For the year ended 31 December 2018

	Note	2018 $m	2017 $m
Cash flows from operating activities			
Cash generated from operations	36	**493**	546
Income taxes paid		**(63)**	(103)
Net cash inflow from operating activities		**430**	443
Cash flow from investing activities			
Purchases of property, plant and equipment		**(107)**	(107)
Proceeds from disposal of property, plant and equipment		**13**	4
Purchase of intangible assets		**(32)**	(44)
Cash (paid)/received from investment in joint ventures		**(4)**	2
Investment in financial and other non-current assets, net		**4**	(2)
Investments at fair value through other comprehensive income (2017: available-for-sale investment)		**(4)**	(8)
Acquisition of business undertakings net of cash acquired		**1**	3
Contingent consideration adjustment		**30**	–
Finance income		**3**	1
Net cash outflow from investing activities		**(96)**	(151)
Cash flow from financing activities			
Decrease in collateralised and restricted cash		**3**	3
Proceeds from issue of long-term financial debts[1]		**93**	349
Repayment of long-term financial debts[1]		**(224)**	(401)
Proceeds from short-term borrowings[2]		**138**	323
Repayment of short-term borrowings[2]		**(148)**	(349)
Dividends paid		**(84)**	(79)
Dividends paid to non-controlling shareholders of subsidiaries		**(3)**	(2)
Interest paid		**(51)**	(57)
Purchase of non-controlling interest in subsidiary		**–**	(6)
Payment from co-development and earnout payment agreement, net		**(2)**	(1)
Net cash outflow from financing activities		**(278)**	(220)
Net increase in cash and cash equivalents		**56**	72
Cash and cash equivalents at beginning of year		**227**	155
Foreign exchange translation movements		**(7)**	–
Cash and cash equivalents at end of year		**276**	227

1. These cash flows relate to long-term financial debts (note 29) and the movements above reconcile to the movement per the note. In the prior year, the movement reconciled to the note after including a non-cash movement of $1 million in respect of unfavourable translation differences
2. These cash flows relate to bank overdraft and loans (note 25) and the movements above reconcile to the movement per the note after including a non-cash movement of $2 million (2017: $5 million) in respect of favourable translation differences

Notes to the consolidated financial statements

1. Adoption of new and revised standards

The following new and revised standards and interpretations have been adopted in the current year. Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group, but may impact the accounting for future transactions and arrangements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 15 (Amendments)	Revenue from Contracts with Customers

The following standards and interpretations have not been applied in these consolidated financial statements because while in issue, these are not yet effective:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments

IFRS 15

IFRS 15 'Revenue from Contracts with Customers' is effective for accounting periods beginning on or after 1 January 2018 and replaces IAS 18 'Revenue'. It provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to customers at a value which the Company expects to be entitled to receive. The standard also updates revenue disclosure requirements.

The key revenue recognition policy impacted under IFRS 15 is the accounting of free goods. Previously, free goods were recorded only at cost, within cost of sales and no transaction price was allocated to the free goods revenue. Under IFRS 15 an option to acquire additional goods or services gives rise to a separate performance obligation, if the option provides a material right to the customer that the customer would not receive without entering into that contract. The standard requires management to estimate the transaction price to be allocated to the separate performance obligations, to defer revenue and to recognise a contract liability for the performance obligations that will be satisfied in the future. The Group recognises revenue for the option when those future goods or services are transferred to the customer.

The Group has adopted IFRS 15, applying modified retrospective approach on 1 January 2018 with a cumulative adjustment as an increase to other current liabilities of $27 million (contract liability), reflecting the free goods obligations outstanding as at 1 January 2018, an increase of trade receivables by $1 million, decrease in the income tax provision by $1 million and the corresponding net adjustment to decrease retained earnings by $25 million. There is no restatement to prior periods as permitted in the transition rules for IFRS 15. The impact of IFRS 15 on the consolidated financial statements for 31 December 2018 is disclosed in note 44.

IFRS 9

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018, bringing aspects of the accounting for financial instruments: classification, measurement; and impairment.

(a) Classification and measurement

The principal impact is that the portfolio investments (quoted securities portfolio) previously designated as available-for-sale financial assets have been re-categorised on initial application as Investments FVTPL. For further details, see note 24 of the consolidated financial statements and note 51 to the Company financial statements. The Group recorded the fair value movements for such investments through the consolidated income statement for the year ended 31 December 2018.

Equity instruments are normally measured at fair value through profit or loss. However, on initial recognition, the Group may make irrevocable election (on instrument-by-instrument basis) to present in other comprehensive income subsequent changes in the fair value of equity instrument not held for trading.

The fair value movements on investments in unlisted equity instrument (i.e. the Group's venture capital investments) are recorded in other comprehensive income. This category only includes equity instruments, which the Group intends to hold for the foreseeable future. The Group has irrevocably elected (on instrument-by-instrument basis) to classify these equity investments as measured at FVTOCI upon transition to IFRS 9.

Previously, the investments in unlisted shares that were not held for trading were stated at cost, less a provision for any impairment loss (under IAS 39 cost exemption). At transition date, the investments in unlisted shares ($16 million – see note 31) are re-classed as financial assets measured at FVTOCI.

(b) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

The Group has adopted IFRS 9 retrospectively, but with certain permitted exceptions. As a result, prior year results are also not restated, but a cumulative adjustment as a decrease in trade receivables and a corresponding adjustment to decrease equity at 1 January 2018 by $3 million has been made (note 44).

The adoption of the ECL requirements of IFRS 9 resulted in an increase in impairment allowance of the Group's debt financial assets.

The other changes introduced in IFRS 9 have not had a significant impact on the Group.

IFRS 16

IFRS 16 was issued in January 2016 and it replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal form of a Lease'.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments).

1. Adoption of new and revised standards continued

The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Early application is permitted. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs; it is currently anticipated that the standard will be adopted on a modified retrospective approach.

In 2018, the Group has assessed the potential effect of IFRS 16 on its consolidated financial statements. The Group expects to recognise lease liabilities of approximately $49 million on 1 January 2019, right-of-use assets of $46 million (after an adjustment for accrued rent of $3 million recognised as at 31 December 2018).

IFRIC 23

IFRIC 23 'Uncertainty over Income Tax Treatments' was issued in June 2017 and will be implemented by the Group from 1 January 2019. The interpretation clarifies that if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter.

The Group has assessed the potential impact of the new interpretation and believes the application of IFRIC 23 on 1 January 2019 will not result in a material change to the provisions held for uncertain tax positions.

2. Significant accounting policies

General information

Hikma Pharmaceuticals PLC is a public limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the registered office is given on page 176.

The Group's principal activities are the development, manufacture, and marketing of a broad range of branded and non-branded generic pharmaceuticals products across the US, the Middle East and North Africa (MENA) and Europe. Hikma is also a leading licensing partner in MENA.

Basis of preparation

The Group consolidated financial statements are prepared in accordance with:

(i) EU endorsed International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Standards Interpretations Committee and those parts of the Companies Act 2006 as applicable to companies using IFRS.

(ii) International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation to fair value of certain financial assets and liabilities.

The accounting policies included in this note have been applied consistently other than where new policies have been adopted.

The Group's previously published consolidated financial statements were also prepared in accordance with IFRSs issued by the IASB and also in accordance with IFRSs adopted for use in the European Union.

The presentation and functional currency of the Group is the US dollar as the majority of the Group's business is conducted in US dollars.

Going concern

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence and therefore considered the going concern basis as appropriate. Therefore, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements (see page 61).

Basis of consolidation

The consolidated financial statements incorporate the results of Hikma Pharmaceuticals PLC (the Company) and entities controlled by the Company (together the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements include:

- the assets and liabilities, results and cash flows of the Company and its subsidiaries, (entities that are controlled by the Group, through the power of governing the financial and operating policies to obtain benefits from its activities)
- the Group's share of the results and net assets of associates and joint ventures

The consolidated financial statements of entities are made up to 31 December each year.

Interests acquired in entities are consolidated from the date the Group acquires control and interests sold are de-consolidated from the date control ceases.

Goodwill is capitalised as a separate item in the case of subsidiaries and as part of the cost of investment in the case of joint ventures and associates.

Transactions and balances between subsidiaries are eliminated and no profit before tax is taken on sales between subsidiaries until the products are sold to customers outside the Group.

Transactions with non-controlling interests are recorded directly in equity.

Deferred tax relief on unrealised intra-Group profit is accounted for only to the extent that it is considered recoverable.

2. Significant accounting policies continued

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. All identifiable assets, liabilities and contingent liabilities acquired are measured at fair value on the acquisition date. All acquisition related costs are recognised in the consolidated income statement as incurred.

The consideration is measured at the aggregate fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, at the acquisition date. Where applicable, this consideration may include the fair value of assets or liabilities resulting from a contingent consideration arrangement.

Contingent consideration classified as an asset or liability is a financial instrument and within the scope of IFRS 9 'Financial Instruments', is measured at fair value with changes in fair value recognised in consolidated income statement in line with IFRS 9, 'Other Contingent Consideration' that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated income statement.

Subsequent changes to those fair values can only affect the measurement of goodwill, where they occur during the 'measurement period' and are as a result of additional information becoming available about facts and circumstances that existed at the acquisition date. All other changes are dealt with in accordance with relevant IFRSs. This will usually mean that changes in the fair value of consideration are recognised in the consolidated income statement.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the aggregate of consideration, non-controlling interest and fair value of previously held equity interest over the fair values of the identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the consideration, the excess is recognised immediately in the consolidated income statement.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date that the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Investment in associates and joint ventures

An associate is an entity which the Group has significant influence over, where the Group has the power to participate in the financial and operating policy decisions of the investee revenue.

Joint ventures are entities that the Group has the ability to exercise joint control over their economic activities and net assets.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, where the investments are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any impairment charges are recognised immediately in the consolidated income statement.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated income statement outside operating profit and represents profit after tax.

Foreign currencies

Foreign currency transactions, being transactions denominated in a currency other than an individual Group entity's functional currency, are translated into the relevant functional currencies of individual Group entities at average rates for the relevant monthly accounting periods, which approximate to actual rates. Monetary assets and liabilities arising from foreign currency transactions are retranslated at exchange rates prevailing at the reporting date. Exchange gains and losses on loans and on short-term foreign currency borrowings and deposits are included within finance income and expense. Exchange differences on all other foreign currency transactions are recognised in operating profit in the individual Group entity's accounting records. Non-monetary items arising from foreign currency transactions are not retranslated in the individual Group entity's accounting records. In the consolidated financial statements, income and expense items for Group entities with a functional currency other than US dollars are translated into US dollars at average exchange rates, which approximate to actual rates, for the relevant accounting periods. Assets and liabilities are translated at the US dollar exchange rates prevailing at the reporting date. Exchange differences arising on consolidation are recognised in the consolidated statement of other comprehensive income.

Hyperinflationary economies

In hyperinflationary economies, when translating the results of operations into US dollars, assets, liabilities, income statement and equity accounts are translated at the rate prevailing on the balance sheet date. Sudan was considered as a hyperinflationary economy in the year ended 31 December 2018 in which the rate prevailing was 47.6 Sudanese pounds per US dollar as of 31 December 2018. The effect of inflation accounting in Sudan for the year ended 31 December 2018 was not material.

Revenue recognition

Under IFRS 15 revenue is recognised in the consolidated income statement when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services.

2. Significant accounting policies continued

The transition to IFRS 15 had no significant impact on the Group's revenue recognition policies as the majority of the Group's revenue is derived from the supply of goods (i.e. single performance obligation). The only significant revenue recognition policy that is impacted by IFRS 15 transition is free goods. Refer to free goods policy for more details.

The Group has generally concluded that it acts as principal in its revenue arrangements because it typically controls the goods or services before the transfer to customer.

Revenue represents the amounts receivable after the deduction of discounts, value added tax, other sales taxes, allowances given, penalties, provisions for chargebacks and accruals for estimated future rebates, returns and price adjustments. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and historical information.

Dynamic market changes can generate uncertainty as to the ultimate net selling price of a pharmaceutical product and therefore revenue cannot always be measured reliably at the point when the product is supplied or made available to external customers.

If the ultimate net selling price cannot be reliably measured, revenue recognition is deferred until a reliable measurement can be made. Revenue is only recognised when it is highly probable that a significant reversal will not occur.

The Group does not expect to have any contract where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Variable consideration

Chargebacks

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

Returns

The Group has a product return policy that allows customers to return the product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognised as a reduction of revenue in the period in which the underlying sales are recognised.

The Group estimates its provision for returns based on historical experience, representing management's best estimate. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Group continually monitors the provisions for returns and makes adjustments when it believes that actual product returns may differ from established reserves.

Rebates

In certain countries, rebates are granted to healthcare authorities and under contractual arrangements with certain customers. Products sold in the US are covered by various programmes (such as Medicaid) under which products are sold at a discount.

The Group estimates its provision for rebates based on current contractual terms and conditions as well as historical experience, changes to business practices and credit terms. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future rebate liabilities. The Group continually monitors the provisions for rebates and makes adjustments when it believes that actual rebates may differ from established reserves. All rebates are recognised in the period in which the underlying sales are recognised as a reduction of revenue.

Price adjustments

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

Customer option that provides a material right

Free goods

Free goods are issued to customers as sale incentives. Under IFRS 15 an option to acquire additional goods or services gives rise to a separate performance obligation, if the option provides a material right that the customer would not receive without entering into that contract. IFRS 15 requires management to estimate the transaction price to be allocated to the separate performance obligations and to recognise a contract liability for the performance obligations that will be satisfied in the future. The Group recognises revenue for the option when those future goods or services are transferred to the customer.

Previously, free goods were recorded only at cost, within cost of sales and no transaction price was allocated to the free goods revenue.

2. Significant accounting policies continued

Contract manufacturing
The Group manufactures certain medicines on behalf of customers. The revenue from providing contract manufacturing services is recognised when these medicines are approved by the quality control department. There is no alternative use of these medicines and the Group also has the enforceable right to payments once these medicines are quality approved.

Share-based payments
At the Company's discretion and subject to the achievement of Group and personal performance criteria, employees (including Executive Directors) of the Group receive performance remuneration in the form of share-based payments, whereby employees render their services in exchange for shares or rights over shares (equity-settled transactions) under either the 2014 Executive Incentive Plan (EIP) or the 2009 Management Incentive Plan (MIP) and the 2007 Long-Term Incentive Plan (LTIP) (noting that the last grant under the LTIP was made in 2014).

IFRS 2 'Share-Based Payments' requires an expense to be recognised when the Group buys goods or services in exchange for shares or rights over shares (share-based payments) or in exchange for other equivalent assets.

The cost of share-based payments' transactions with employees is measured by reference to the fair value at the date at which the share-based payments are granted. The fair value of the EIP and MIP are determined based on the share price as at the date of grant discounted by the dividend yield.

The expected life used in the models applied to fair value the EIPs and MIPs have 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 38). In valuing share-based payments, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of Hikma Pharmaceuticals PLC.

The cost of share-based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period based on the Group's estimate of equity instruments that will eventually vest. The Group revises its estimate of the number of equity instruments expected to vest and the impact of the revision of the original estimates, if any, is recognised in the consolidated income statement, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. Where the terms of share-based payments award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the modification date. Where a share-based payment award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for a cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above.

The dilutive effect of outstanding share-based payments is reflected as additional share dilution in the computation of diluted earnings per share.

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.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Dividend income
Income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing
Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the operating lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the consolidated 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.

A new standard for leasing, IFRS 16 'Leases' will come into effect on 1 January 2019, the potential effect on the consolidated financial statement is disclosed in note 1.

Government grants
Government grants relating to property, plant and equipment are treated as deferred income and released to the consolidated income statement over the expected useful lives of the assets concerned.

Tax
The Group provides for income tax according to the laws and regulations prevailing in the countries where the Group operates. Furthermore, the Group computes and records deferred tax assets and liabilities according to IAS 12 'Income Taxes'.

The tax expense represents the sum of the current tax in the current period and deferred tax.

2. Significant accounting policies continued

The current tax incurred in the period is based on taxable profit for the year and prior year movement accounted for in the current year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's tax incurred is calculated using tax rates that have been enacted or substantively enacted by the consolidated 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 consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the consolidated 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 reverse. To the extent the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, no deferred tax is provided.

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.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each consolidated 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 booked on unrealised inter-company profits on inventory sales, to the extent they are expected to unwind, at the rate applicable to the distribution company. Where there is a significant difference between the tax rates of the relevant companies, this creates deferred tax that can materially impact the Group's effective tax rate. In 2018, this had a 1.3% favourable impact on the effective tax rate (2017: 0.9% unfavourable).

Core results

Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items that mask the underlying performance of the Group.

Non-IFRS measures are used to report and monitor the underlying performance of our business. Management uses these numbers internally to measure our progress and for setting performance targets. To provide a more complete picture of the Group's performance we present core results, alongside our reported results, to external audiences to help them understand the underlying performance of our business. Our core results may be calculated differently to other companies.

Core numbers are not substitutable for IFRS numbers and should not be considered superior to results presented in accordance with IFRS.

Our core results exclude the exceptional items and other adjustments set out in note 6 to the consolidated financial statements.

Exceptional items

Exceptional items represent adjustments for costs and profits which management believes to be exceptional in nature by virtue of their size or incidence, or have a distortive effect on current year earnings. Such items include costs associated with business combinations, one-off gains and losses on disposal of businesses assets, reorganisation costs, write-down and impairment charges on assets and impairment of goodwill, net of any tax impact.

Other adjustments

These include amortisation of intangibles excluding software and finance cost resulted from remeasurement of contingent consideration, financial liability and asset, net of any tax impact.

Both exceptional items and other adjustments are excluded from core results to improve comparability and consistency of our consolidated financial statements, which is consistent with our fellow companies. We represent and discuss our Group and segmental financials reconciled between reported and core results. This presentation allows for full visibility and transparency of our financials so that shareholders are able to clearly assess the performance factors of the Group.

The basis of determining exceptional items did not change from prior year.

Intangible assets

An intangible asset is recognised if:

- it is identifiable
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group
- the cost of the asset can be measured reliably

The probability of expected future economic benefits is assessed using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset and are amortised on a straight-line basis on the following amortisation rates:

Customer relationships	7%
Product related intangibles	7% to 14%
Trade names	10%
Marketing rights	10% to 50%
Software	10% to 30%

Judgement is used to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

Expenditures on research and development activities are charged to the consolidated income statement, except only when the criteria for recognising an internally generated intangible asset is met, which is usually when approval from the relevant regulatory authority is considered probable.

2. Significant accounting policies continued

Also, the Group engages with third party research and development companies to develop products on its behalf. Substantial payments made to such third parties to fund research and development efforts are recognised as intangible assets if the capitalisation criteria for recognising an intangible asset is met, which typically is when licence fees and milestone payments are made, all other payments are charged to the consolidated income statement.

Principal intangible assets are:

(a) **Goodwill:** arising in a business combination and is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the consolidated income statement on disposal.

(b) **Customer relationships:** represent the value attributed to the long-term relationships held with existing customers at the date of acquisition and are amortised over their useful economic life.

(c) **Product related intangibles:**
(i) Product files and under-licensed products recognised through acquisitions, and from development activities are amortised over their useful economic lives once the asset is ready for use.

(ii) In process product files recognised on acquisition are amortised over the useful economic life once the asset is ready for use.

(d) **Trade names:** are amortised over their useful lives from the date of acquisition.

(e) **Marketing rights:** are amortised over their useful lives commencing in the year in which the rights first generate sales.

(f) **Purchased software:** is amortised over the useful economic life when the asset is ready for use.

Property, plant and equipment

Property, plant and equipment have been stated at cost on acquisition and are depreciated on a straight-line basis except for land at the following depreciation rates:

Buildings	2% to 4%
Machinery and equipment	5% to 33%
Vehicles, fixtures and equipment	6% to 33%

A units of production method of depreciation is applied to operations in their start-up phase, as this reflects the expected pattern of consumption of the future economic benefits embodied in the assets. When these assets are fully utilised, a straight-line method of depreciation is applied.

Projects under construction are not depreciated until construction has been completed and assets are considered ready for use.

Any additional costs that extend the useful life of property, plant and equipment are capitalised.

Property, plant and equipment which are financed by leases giving Hikma Pharmaceuticals PLC substantially all the risks and rewards of ownership are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments at the inception of the lease, and depreciated in the same manner as other property, plant and equipment over the shorter of the lease term 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 consolidated income statement. Projects under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Impairment of property, plant and equipment and intangible assets

Each year, the Group carries out an impairment review for goodwill and intangible assets that are not yet ready for use. At the year end, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets that are subject to depreciation and amortisation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). In consideration of the impairment review, the Group compares the carrying value of the asset to its recoverable amount.

2. Significant accounting policies continued

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit (CGU)) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

The Group's goodwill and intangible assets are tested as follows:

(a) Goodwill is allocated to each of the Group's CGUs. These CGUs are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. The assumptions used in the impairment tests are set out in note 16.

(b) Intangible assets that are not yet ready for use are not subject to amortisation, and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a sustained change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement. In line with IAS 36, previously recognised impairment losses on goodwill are not reversed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Purchased products are stated at acquisition cost including all additional attributable costs incurred in bringing each product to its present location and condition. The costs of own-manufactured products comprise of direct materials and, where applicable, direct labour costs and any overheads that have been incurred in bringing the inventories to their present location and condition. In the consolidated balance sheet, inventory is primarily valued at standard cost, which approximates to historical cost determined on a moving average basis, and this value is used to determine the cost of sales in the consolidated income statement.

Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs necessary to make the sale. Inventory related provisions are made for net realisable value lower than cost, slow moving and short-dated inventory.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

From 1 January 2018, the Group classifies its financial assets in the following measurements categories:

(i) Financial assets at fair value through profit and loss (P&L)

Listed shares and investment portfolios held by the Group that are traded in an active market are classified as being financial assets at FVTPL and are stated at fair value. Gains and losses arising from changes in fair value are recognised in the consolidated income statement, see note 24.

(ii) Financial assets designated at fair value through other comprehensive income (OCI)

The Group's investments in unlisted shares that are not traded in an active market and the fair value of which cannot be reliably measured are stated at cost, less a provision for any impairment loss, see note 19.

(iii) Financial assets at amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments of principle and interest amounts and are not quoted in an active market are classified as 'Financial assets at amortised cost'. These receivables include the reimbursements of certain contingent payments in respect to milestone, loan, and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as being at FVTPL.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit loss. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. Significant accounting policies continued

Financial liabilities
Financial liabilities are classified in two categories: financial liabilities 'at FVTPL' or 'Loans and Borrowings'. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

(i) Financial liabilities at (FVTPL)
The Group currently has two financial liabilities at FVTPL as below:

- co-development and earn out payment agreements with third parties where the Group earns milestone payments reflecting the achievement of research and development; and commercialisation milestones. Those payments are recognised as financial liabilities once received
- contingent consideration arising from the Columbus business acquisition represent contractual liabilities to make payments to third parties in the form of milestone payments that are dependent on the achievement of certain US FDA approval milestones; and royalty payments based on future sales of certain products that are currently under development

Financial liabilities are revalued at the end of each reporting period to represent the value of expected future cash outflows and the difference is presented as finance cost/income. These financial liabilities are currently booked under other non-current liabilities and other current liabilities in the consolidated balance sheet.

(ii) Loans and borrowings
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

Restructuring provisions
Restructuring provisions are recognised only when the Group has a constructive obligation, which is when:

(i) There is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and

(ii) The employees affected have been notified of the plan's main features.

Decommissioning provisions
The Group records a provision for decommissioning costs of a manufacturing facility. Decommissioning costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated income statement as a finance expense. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the asset.

Onerous contracts
The present obligation under the onerous contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

Own shares
The Group provide finance to the trustee of the Employee Benefit Trust (EBT) which is Link Trustees (Jersey) Limited. Own shares are deducted from equity. These shares are held to be used to satisfy long-term commitments arising from the employee share plan operated by the Company.

Cash dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. In accordance with the laws of the United Kingdom, a final dividend is binding on the Company when it is approved by the shareholders and an interim dividend obtains this status when it is approved by the Board of Directors.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group's Directors believe that the following accounting policies that involve Directors' judgements and estimates are the most critical to understanding and evaluating the Group's financial results.

Revenue recognition (notes 4 and 5)

The Group's revenue recognition policies require Directors to make estimates of the net selling price, which is made complicated due to chargebacks, product returns, rebates and price adjustments. These significant estimates vary by product arrangements and buying groups. We have not included sensitivity disclosures with respect to these given the commercially sensitive nature of this information. Refer to note 2 for more detail on each of the underlying estimates.

Goodwill (note 16)

The critical areas of estimates in relation to the valuation of goodwill involve:

Testing for impairment of goodwill and other assets included within a CGU to establish the appropriate valuation of the CGU. The valuation is used for comparison to the carrying value of the net assets of the CGU and requires the following key judgements and estimates:

- evaluation of current and future market conditions, market size, market share, and competition
- estimating a five-year business plan for purposes of forecasting free cash flows which involves forecasting appropriate sales and operating expenses taking into considerations both internal and external information
- estimating a discount rate that appropriately reflects the Group's weighted average cost of capital as adjusted for specific risk premiums reflecting risks inherent in achieving the projected future cash flows
- estimating appropriate terminal growth rate beyond the forecast period

Acquired intangible assets (note 16)

When testing for impairment, the following judgements and estimates are made:

- judgement around determining whether a 'triggering event' has occurred for intangible assets. In such cases we first assess the qualitative factors to determine whether it is more likely than not that the fair value of the intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test
- for pipeline products, establishing the launch date and probability of a successful product approval are critical judgements
- estimating revenue forecasts (including market size, estimated expected market share, number of competitors and net selling prices)
- estimating the future product profitability
- estimating a discount rate and specific risk premiums
- estimating appropriate terminal growth rate beyond the forecast period

For previously impaired assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased, see note 2.

Taxation (notes 12 and 13)

Critical judgements in applying the Group's accounting policies

The following are the critical tax related judgements, apart from those involving estimations (which are dealt with separately below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements:

Recognition of deferred tax assets

The recognition of deferred tax assets is based on the current forecast of taxable profits arising in the jurisdiction in which the deferred tax asset arises. A deferred tax asset is recognised to the extent that there are forecast taxable profits within a reasonable period. The Group has a potential deferred tax asset of $219 million (2017: $278 million), of which $125 million (2017: $135 million) has been recognised. This exercise is reviewed each year and, to the extent forecasts change, an adjustment to the recognised deferred tax asset may be made.

Recognition of deferred tax assets is driven by the Group's ability to utilise the deferred tax asset which is reliant on forecast taxable profits arising in the jurisdiction in which losses are incurred.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Legislative change risks
The Group makes substantial sales in the US market of products owned by a UK Group company which also arranges for the product development and manufacture, both in the US and in other territories in which the Group operates. Whilst a reduction in the US federal tax rate has beneficially impacted the Group's effective tax rate, other aspects of the recently enacted US tax reforms, such as base erosion and anti-avoidance tax and a restriction on interest deductions, could have a negative impact on the Group's effective tax rate. This risk is reviewed periodically through the year. Continuing with the impact of changes in tax rules in the territories in which we operate, we are experiencing an upward pressure on the Group's effective tax rate as a result of the Base Erosion and Profit Shifting (BEPS) initiative of the Organisation for Economic Co-operation and Development (OECD). The Group continues to monitor the impact of such changes as they become clear and is taking any action necessary to help mitigate any adverse consequences to the extent reasonably possible.

Key sources of estimation uncertainty
The Group has the following key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Tax audit risk
In common with most international organisations, the Group is subject to audit from revenue authorities from time to time. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made, management provides for its best estimate of the liability. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as new facts emerge and each dispute progresses. Hikma continues to invest in its financial systems to ensure the quality of the Group's financial data which reduces the risk of an adverse revenue authority audit. Furthermore, Hikma continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments and audits. Where open issues exist, the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of negotiations with the relevant tax authorities or, if necessary, litigation proceedings.

Other risks
In addition to tax audits, the Group faces other potential tax risks that could affect the sustainability of the Group's effective tax rate. The main risks are noted below. Hikma regularly takes professional advice to ensure the risks mentioned below are appropriately analysed and managed with any ultimate potential liability being adequately provided.

Transfer pricing risk
The transfer pricing risk can arise from a difference in view over the pricing of cross-border, inter-company product sales and services and of sales of assets. The standard by which most authorities, and the Group, assess the transfer price is whether it is set at arm's length. An upward adjustment by the tax authority of one territory will not necessarily result in the downward adjustment by the other territory, potentially leading to an increased estimated tax cost through a mismatch of tax deductions and taxable income, as well as a potential increase arising out of a rate arbitrage. The Group has considered the risk in detail and has provided for potential tax adjustments so does not believe that any adjustment will materially impact the rate going forward.

Valuation risk
As part of a reorganisation following the Columbus business acquisition in 2016, certain assets and liabilities were transferred intra-Group with external valuations obtained. If these valuations are successfully challenged by relevant tax authorities, it could adversely impact the tax recorded on the reorganisation.

Sensitivity
As at the consolidated balance sheet date, the Group held an aggregate provision in the sum of $57 million in respect of liabilities likely to arise from the above estimation uncertainties. Hikma released $20 million in 2018 mainly due to the statute of limitations but this was offset by new provisions of $13 million booked in 2018. In 2019, up to $9 million could be released on the same grounds. If all areas of uncertainty were audited and all areas resulted with an adverse outcome, management does not believe any material additional tax would be payable beyond what is provided.

Contingent liabilities
The promotion, marketing and sale of pharmaceutical products and medical devices is highly regulated and the operations of market participants, such as Hikma, are closely supervised by regulatory authorities and law enforcement agencies, including the US FDA and the US Department of Justice. As a result, the Group is subject to certain investigations by governmental agencies, as well as other various legal proceedings considered typical to its business relating to employment, product liability and commercial disputes, see note 37.

4. Revenue from contracts with customers

Business and geographical markets:

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

Year ended 31 December 2018	Branded $m	Injectables $m	Generics $m	Others $m	Total $m
United States	–	601	692	–	1,293
Middle East and North Africa	531	120	–	5	656
Europe and rest of the world	11	100	–	5	116
United Kingdom	–	5	–	–	5
	542	826	692	10	2,070

Year ended 31 December 2017	Branded $m	Injectables $m	Generics $m	Others $m	Total $m
United States	–	586	615	–	1,201
Middle East and North Africa	523	102	–	5	630
Europe and rest of the world	13	86	–	4	103
United Kingdom	–	2	–	–	2
	536	776	615	9	1,936

The top selling markets in 2018 are as below:

	2018 $m	2017 $m
United States	1,293	1,201
Saudi Arabia	170	157
Egypt	97	75
	1,560	1,433

Included in revenue arising in the Generics and Injectables segments is revenue of approximately $309 million (2017: $301 million) which arose from the Group's largest customer which is located in the US.

Contract balances:

	2018 $m	2017 $m
Trade receivables (note 21)	654	650
Contract liabilities (note 28)	151	127

Trade receivables are non-interest bearing. Typical credit terms in the US range from 30 to 90 days, in Europe from 30 to 120 days, and in MENA from 180 to 360 days.

Contract liabilities mainly relate to returns provisions and free goods balances. The movement in the year is mainly due to the increase in contract liability offset by the settlement of free goods liability of $28 million against a customer account receivable balance.

There was nominal amount of revenue recognised in the year in relation to the contract liability balance recognised at the beginning of the year.

5. Business segments

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

Core operating profit, defined as 'segment result', is the principal measure used in the decision-making and resource allocation process of the chief operating decision maker, who is the Group's Chief Executive Officer.

Information regarding the Group's operating segments is reported below:

Injectables	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Revenue	**832**	**(6)**	**826**	776	–	776
Cost of sales	**(329)**	**–**	**(329)**	(296)	–	(296)
Gross profit	**503**	**(6)**	**497**	480	–	480
Total operating expenses	**(168)**	**(24)**	**(192)**	(165)	(22)	(187)
Segment result	**335**	**(30)**	**305**	315	(22)	293

Generics	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Revenue	**692**	**–**	**692**	615	–	615
Cost of sales	**(397)**	**(16)**	**(413)**	(390)	(6)	(396)
Gross profit	**295**	**(16)**	**279**	225	(6)	219
Total operating expenses	**(202)**	**(37)**	**(239)**	(203)	(1,098)	(1,301)
Segment result	**93**	**(53)**	**40**	22	(1,104)	(1,082)

Branded	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Revenue	**542**	**–**	**542**	536	–	536
Cost of sales	**(271)**	**–**	**(271)**	(271)	–	(271)
Gross profit	**271**	**–**	**271**	265	–	265
Total operating expenses	**(154)**	**(6)**	**(160)**	(151)	(7)	(158)
Segment result	**117**	**(6)**	**111**	114	(7)	107

Others	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Revenue	**10**	**–**	**10**	9	–	9
Cost of sales	**(7)**	**–**	**(7)**	(6)	–	(6)
Gross profit	**3**	**–**	**3**	3	–	3
Total operating expenses	**(8)**	**–**	**(8)**	(7)	–	(7)
Segment result	**(5)**	**–**	**(5)**	(4)	–	(4)

'Others' mainly comprises Arab Medical Containers LLC, International Pharmaceutical Research Center LLC, Hikma Emerging Markets and Asia Pacific FZ LLC, and the chemicals division of Hikma Pharmaceuticals LLC (Jordan).

5. Business segments continued

Group	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Segment result	**540**	**(89)**	**451**	447	(1,133)	(686)
Unallocated expenses	**(80)**	**–**	**(80)**	(61)	–	(61)
Operating profit/(loss)	**460**	**(89)**	**371**	386	(1,133)	(747)
Finance income	**3**	**–**	**3**	2	93	95
Finance expense	**(54)**	**(26)**	**(80)**	(60)	(26)	(86)
Loss from investment at fair value	**(1)**	**–**	**(1)**	–	–	–
Profit/(loss) before tax	**408**	**(115)**	**293**	328	(1,066)	(738)
Tax	**(73)**	**65**	**(8)**	(72)	(29)	(101)
Profit/(loss) for the year	**335**	**(50)**	**285**	256	(1,095)	(839)
Attributable to:						
Non-controlling interests	**3**	**–**	**3**	4	–	4
Equity holders of the parent	**332**	**(50)**	**282**	252	(1,095)	(843)
	335	**(50)**	**285**	256	(1,095)	(839)

Unallocated corporate expenses mainly comprise employee costs, third-party professional fees, IT costs, travel expenses, rent expenses and donations.

6. Exceptional items and other adjustments

Exceptional items and other adjustments are disclosed separately in the consolidated income statement to assist in understanding the Group's core performance.

Exceptional items	2018 $m	2017 $m
Research and development cost	**(29)**	–
Contingent consideration gain	**–**	29
Acquisition, integration and other costs	**(30)**	(26)
Impairment of the Columbus business goodwill	**–**	(407)
Impairment of product-related intangible assets, software, property, plant and equipment and others	**–**	(681)
Exceptional items included in operating profit/(loss)	**(59)**	(1,085)
Tax benefit associated with prior year impairment loss for which a tax benefit is recognised	**43**	–
Prior year favourable US tax ruling	**13**	–
US tax reform bill	**–**	(49)
Exceptional items included in profit/(loss)	**(3)**	(1,134)
Other adjustments		
Intangible amortisation other than software	**(30)**	(48)
Remeasurement of contingent consideration, financial liability and asset, (net)	**(26)**	67
Exceptional items and other adjustments	**(59)**	(1,115)
Tax effect	**9**	20
Impact on profit/(loss) for the year	**(50)**	(1,095)

6. Exceptional items and other adjustments continued

In reference to the exceptional items and other adjustments policy in note 2, the details are presented below:

Exceptional items

- During 2018, Hikma incurred $29 million of research and development costs related to a repeat clinical endpoint study for generic Advair Diskus®. In 2017, Hikma recognised a $29 million contingent consideration gain from Boehringer Ingelheim as compensation for failure to receive FDA approval of generic Advair Diskus® before 24 December 2017. To obtain approval, the FDA requires the completion of an additional clinical endpoint study. Both the compensation and the repeat clinical study cost have been treated as exceptional items.
- Integration and other costs were incurred in relation to the restructuring of the Columbus manufacturing facility and the closure of the Eatontown manufacturing facility, in addition to the consolidation of the distribution centre in the US, of which $6 million is included in revenue, $16 million is included in cost of sales, $2 million in sales and marketing, $1 million in general and administrative and $5 million in other operating expenses.
- Tax benefit associated with prior year impairment loss recognised in 2018 (note 12).
- The prior year favourable US tax ruling relates to the benefit associated with a change in the tax reporting for chargebacks in the US.

In previous periods, exceptional items and other adjustments were related to the following:

- acquisition, integration and other costs were incurred in relation to the acquisition of the Columbus business and disposal the Eatontown plant and were included in the cost of sales, general and administrative expenses, sales and marketing expenses, research and development expenses and other operating expenses (notes 9 and 17)
- impairment of the Columbus business goodwill related to the unfavourable industry developments in the US generics industry in the second half of 2017 and was included in other operating expenses (note 16)
- impairment of product related intangible assets, property, plant and equipment and others, related to the impairment of assets of the Columbus business, including product rights, in process R&D, software and property, plant and equipment, and was included in other operating expenses (notes 16 and 17). In addition, impairment of other product-related intangible assets of $4 million which was included in research and development expenses (note 16)
- contingent consideration gain represents compensation received from Boehringer Ingelheim for failure to receive FDA approval of generic Advair Diskus® before 24 December 2017 (notes 9 and 24)
- US tax reform bill represents the estimated impact on the US deferred tax asset of lowering the US federal tax rate which was signed in December 2017 and effective from 1st January 2018 (note 12)

Other adjustments

Remeasurement of contingent consideration, financial liability and asset represents the net difference resulting from the valuation of the liabilities and assets associated with the future contingent payments receivables in respect of the Columbus business acquisition and the financial liability in relation to the co-development earnout payment agreement in respect of certain generic injectable products that were acquired from Boeringher Ingelheim (notes 19, 24, 28 and 32). The remeasurement is included in finance expense/income.

7. Audit remuneration

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

	2018 $m	2017[2] $m
Audit of the Company's annual accounts	**0.6**	0.9
Audit of the Company's subsidiaries pursuant to legislation	**1.8**	1.7
Total audit fees	**2.4**	2.6
Assurance services[1]	**0.2**	0.2
Total audit and assurance fees	**2.6**	2.8

1. Assurance services relate to review procedures in respect to the interim financial information
2. Amounts have been restated for audit fees related to statutory accounts

Nominal non-audit fees were charged in both years for subscriptions to a technical accounting portal, for general training and for services required to be performed by the incumbent in Ireland.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 73 to 76 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

8. Staff costs

The average monthly number of employees (including Executive Directors) is:

	2018 Number	2017 Number
Production	**4,634**	5,017
Sales and marketing	**2,246**	2,123
General and administrative	**1,158**	1,047
Research and development	**375**	334
	8,413	8,521

	2018 $m	2017 $m
Their aggregate remuneration comprised:		
Wages, salaries and bonuses	**346**	321
Social security costs	**32**	30
Post-employment benefits	**13**	16
End of service indemnity	**18**	10
Share-based payments (note 38)	**21**	22
Car and housing allowances	**20**	19
Health insurance	**38**	39
Other costs and employee benefits	**18**	28
	506	485

9. Other operating expense/income

Other operating expense	2018 Core results $m	2018 Exceptional Items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional Items and other adjustments (note 6) $m	2017 Reported results $m
Inventory related provisions	**62**	**–**	**62**	58	–	58
Impairment loss	**8**	**2**	**10**	–	1,101	1,101
Loss from disposal of property, plant and equipment	**–**	**3**	**3**	3	–	3
Forex losses (net)	**5**	**–**	**5**	–	–	–
	75	**5**	**80**	61	1,101	1,162

Other operating income	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Gain from disposal of property, plant and equipment	**–**	**–**	**–**	1	–	1
Forex gain (net)	**–**	**–**	**–**	4	–	4
Others	**7**	**–**	**7**	10	29	39
	7	**–**	**7**	15	29	44

10. Finance income

	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Interest income	**3**	**–**	**3**	2	–	2
Remeasurement of contingent consideration, financial liability and asset	**–**	**–**	**–**	–	93	93
	3	**–**	**3**	2	93	95

11. Finance expense

	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Interest on bank overdrafts and loans	**19**	**–**	**19**	29	–	29
Interest on Eurobond	**22**	**–**	**22**	22	–	22
Remeasurement of contingent consideration, financial liability	**–**	**26**	**26**	–	26	26
Other bank charges	**13**	**–**	**13**	8	–	8
Net foreign exchange loss	**–**	**–**	**–**	1	–	1
	54	**26**	**80**	60	26	86

12. Tax

	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Current tax:						
Domestic tax	**1**	**–**	**1**	2	–	2
Foreign tax	**36**	**(9)**	**27**	48	(20)	28
Deferred tax (note 13)						
Current year	**39**	**(43)**	**(4)**	22	49	71
Adjustment to prior year	**(3)**	**(13)**	**(16)**	–	–	–
	73	**(65)**	**8**	72	29	101

UK corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated assessable profit made in the UK for the year.

The Group incurred a tax expense of $8 million (2017: $101 million). The effective tax charge rate is 2.7%, (2017: credit 13.7%). The reported effective tax rate is lower than the statutory rate mainly due to the tax benefit associated with the impairment loss incurred in the prior year, for which a current year deferred tax benefit is being recognised.

Taxation for all jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

12. Tax continued

The charge for the year can be reconciled to profit/(loss) before tax per the consolidated income statement as follows:

	2018 $m	2017 $m
Profit/(loss) before tax	**293**	(738)
Tax at the UK corporation tax rate of 19.00% (2017: 19.25%)	**56**	(142)
Profits taxed at different rates	**14**	13
Permanent differences		
– Non-taxable income	**(14)**	(13)
– Non-deductible expenditure	**2**	6
– Adjustment on intercompany inventory	**1**	(7)
– Other	**–**	(7)
– Impairment of goodwill	**–**	78
State and local taxes	**4**	(4)
Temporary differences		
– Tax losses and other deductible temporary differences for which no benefit is recognised	**8**	119
– Prior year favourable US tax ruling	**(13)**	–
– Tax benefit associated with losses incurred in a prior year for which a current benefit is recognised	**(43)**	–
– Tax rate changes (US tax reform)	**–**	49
– Other deductible temporary differences for which no benefit is recognised	**(3)**	–
Change in provision for uncertain tax positions	**(2)**	7
Unremitted earnings	**4**	2
Prior year adjustments	**(6)**	–
Tax expense for the year	**8**	101

Profits taxed at different tax rates relates to profits arising in overseas jurisdictions where the tax rate differs from the UK statutory rate.

Permanent differences relate to items which are non-taxable or for which no tax relief is ever likely to be due. The major items are differences in GAAP between IFRS and local territory GAAP, expenses and income disallowed where they are covered by statutory exemptions, foreign exchange differences in some territories and statutory reliefs such as R&D and manufacturing tax credits.

Temporary differences for which no benefit is recognised includes items on which it is not possible to book deferred tax and comprise mainly unrecognised tax losses. Management has not recognised a benefit for the losses on the basis that there are insufficient forecasted taxable profits in the foreseeable future.

The change in provision for uncertain tax positions relates to the provisions the Group holds in the event of a revenue authority successfully taking an adverse view of the positions adopted by the Group in 2018 and primarily relates to a transfer pricing adjustment. This category also includes adjustments (favourable or adverse) in respect of uncertain tax positions following agreement of the tax returns with the relevant tax authorities.

The prior year favourable US tax ruling relates to the benefit associated with a change in tax reporting for chargebacks in the US.

Prior year adjustments include differences between the tax liability recorded in the tax returns submitted for previous years and estimated tax provision reported in a prior period's consolidated financial statements.

US tax reform

In 2017, the impact of the US Tax Cuts and Jobs Act of 2017 was restricted to the reduction of the US deferred tax asset, as a result of the fall in the federal corporate income tax rate from 35% to 21%, by $49 million (note 6).

US deferred tax assets recognition

In 2017, management did not recognise a tax benefit associated with the impairment of certain assets of the Columbus business on the basis that there were insufficient forecasted taxable profits in the foreseeable future. In 2018, as a result of positive changes to the US business model due to internal reorganisation which increased the US taxable profit principally in relation to our Injectables business, management determined that it is now more likely than not that such tax benefit is realisable from forecasted taxable profits in the foreseeable future.

12. Tax continued

State Aid

The Group is monitoring developments in relation to the EU's State Aid investigations, in particular, the EU Commission's announcement in October 2017 that it will be opening a State Aid investigation into the Group Financing Exemption of the UK's Controlled Foreign Company (CFC) legislation. This exemption was introduced by the UK Government in 2013. In common with other UK-based international companies that have arrangements in line with the UK's current CFC legislation, Hikma is potentially affected by the outcome of this investigation. The Group does not currently consider any provision is required in relation to EU State Aid. As with all uncertain tax positions, the assessment of risk is subjective and involves significant management judgement. The judgement is based on management's understanding of legislation, experience and professional advice taken on the matters.

Publication of tax strategy

In line with the UK requirement for large UK businesses to publish their tax strategy. Hikma's tax strategy has been made available on the Group's website.

13. Deferred tax

Certain deferred tax assets and liabilities have been appropriately offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 December	
	2018 $m	2017 $m
Deferred tax liabilities	**(16)**	(49)
Deferred tax assets	**125**	135
	109	86

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting years.

	Tax losses $m	Deferred R&D costs $m	Other short-term temporary differences[1] $m	Amortisable assets $m	Fixed assets $m	Share-based payments $m	Total $m
At 1 January 2017	6	1	202	(23)	(29)	–	157
Credit/(charge) to income	(3)	–	(71)	7	(4)	–	(71)
At 1 January 2018 as previously reported	3	1	131	(16)	(33)	–	86
Impact of IFRS 9 and 15	–	–	2	–	–	–	2
At 1 January 2018 as adjusted	**3**	**1**	**133**	**(16)**	**(33)**	**–**	**88**
Credit/(charge) to income	–	–	(16)	5	31	1	21
At 31 December 2018	**3**	**1**	**117**	**(11)**	**(2)**	**1**	**109**

1. The other deferred taxes on short-term temporary differences primarily relate to charge backs and product returns in the US of $49 million (2017: $76 million), tax benefit in respect of US impairment of $39 million (2017: $nil) and unrealised intercompany profits of $15 million (2017: $17 million)

No deferred tax asset has been recognised on temporary differences totalling $536 million (2017: $770 million) due to the unpredictability of the related future profit streams. $527 million (2017: $578 million) of these temporary differences relate to losses on which no deferred tax is recognised. None of these losses are expected to expire.

A deferred tax liability has been recognised on temporary differences relating to the unremitted earnings of overseas subsidiaries of $8 million (2017: $4 million). No deferred tax liability has been recognised on the remaining unremitted earnings of $187 million (2017: $278 million), as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

14. Dividends

	2018 $m	2017 $m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2017 of 23.0 cents (2016: 22.0 cents) per share	**55**	53
Interim dividend for the year ended 31 December 2018 of 12.0 cents (2017: 11.0 cents) per share	**29**	26
	84	79

The proposed final dividend for the year ended 31 December 2018 is 26.0 cents (2017: 23.0 cents).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 17 May 2019 and has not been included as a liability in these consolidated financial statements. Based on the number of shares in issue at 31 December 2018 (241,455,394), the unrecognised liability is $63 million.

15. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of the Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all dilutive potential Ordinary Shares into ordinary shares. The number of Ordinary Shares used for the basic and diluted calculations is shown in the table below. Core basic earnings per share and core diluted earnings per share are intended to highlight the core results of the Group before exceptional items and other adjustments.

	2018 Core results $m	2018 Exceptional items and other adjustments (note 6) $m	2018 Reported results $m	2017 Core results $m	2017 Exceptional items and other adjustments (note 6) $m	2017 Reported results $m
Earnings/(loss) for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**332**	**(50)**	**282**	252	(1,095)	(843)

Number of shares	2018 Number m	2017 Number m
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**241**	240
Effect of dilutive potential Ordinary Shares:		
Share-based awards	**1**	1
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**242**	241

	2018 Core earnings per share Cents	2018 Reported earnings per share Cents	2017 Core earnings per share Cents	2017 Reported earnings per share Cents
Basic	**137.8**	**117.0**	105.0	(351.3)
Diluted	**137.2**	**116.5**	104.6	(349.8)

16. Goodwill and other intangible assets

The changes in the carrying value of goodwill and other intangible assets for the years ended 31 December 2018 and 31 December 2017 are as follows:

	Goodwill $m	Product-related intangibles $m	Software $m	Other identified intangibles $m	Total $m
Cost					
Balance at 1 January 2017	683	1,006	87	106	1,882
Additions	–	7	31	1	39
Translation adjustments	7	2	–	4	13
Balance at 1 January 2018	**690**	**1,015**	**118**	**111**	**1,934**
Additions	–	–	12	21	33
Acquisition of subsidiaries (note 43)	–	1	–	–	1
Translation adjustments	(3)	(1)	–	(2)	(6)
Balance at 31 December 2018	**687**	**1,015**	**130**	**130**	**1,962**
Amortisation					
Balance at 1 January 2017	(1)	(87)	(28)	(47)	(163)
Charge for the year	–	(41)	(11)	(7)	(59)
Impairment (note 6)	(407)	(505)	(12)	–	(924)
Translation adjustments	–	–	–	(3)	(3)
Balance at 1 January 2018	**(408)**	**(633)**	**(51)**	**(57)**	**(1,149)**
Charge for the year	–	(22)	(10)	(8)	(40)
Impairment	–	(4)	(5)	–	(9)
Translation adjustments	–	1	–	1	2
Balance at 31 December 2018	**(408)**	**(658)**	**(66)**	**(64)**	**(1,196)**
Carrying amount					
At 31 December 2018	**279**	**357**	**64**	**66**	**766**
At 31 December 2017	282	382	67	54	785

Amortisation of all intangible assets with finite useful lives is charged on a straight-line basis in which $1 million is included in the cost of sales, $30 million in sales and marketing expenses and $9 million in general and administrative expenses.

In 2018, the Group recorded a total intangible impairment charge of $9 million, of which $5 million related to software and $4 million to product related intangibles. $7 million of the impairment charge is included within other operating expenses (note 9).

In 2017, the Group recorded a total intangible impairment charge of $924 million related to goodwill of $407 million, product-related intangibles of $505 million and software of $12 million. Of this amount $920 million relates to the impairment of the intangible assets related to the Columbus business. As a result of this impairment the Generics business goodwill was written off to $nil.

Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	As at 31 December	
	2018 $m	2017 $m
Branded	**166**	169
Injectables	**113**	113
Total	**279**	282

16. Goodwill and other intangible assets continued

In accordance with the Group policy, goodwill is tested annually for impairment during the fourth quarter or more frequently if there are indications that goodwill may be impaired.

Details related to the discounted cash flow models used in the impairment tests of the CGUs are as follows:

Valuation basis	Higher of fair value less costs to sell and value in use			
Key assumptions	Sales growth rates			
	Profit margins			
	Terminal growth rate			
	Discount rate			
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information			
	Margins reflect past experience, adjusted for expected changes			
	Terminal growth rates based on management's estimate of future long-term average growth rates			
	Discount rates based on Group WACC, adjusted where appropriate			
Period of specific projected cash flows	5 years			
Terminal growth rate and discount rate		Terminal growth rate (perpetuity)	Pre-tax discount rate	Post-tax discount rate
	Branded	2%	16.3%	14.1%
	Injectables	2%	13.1%	11.1%

CGUs: The Group also performed its annual goodwill impairment test on a quantitative basis for the Branded and Injectables CGUs. The Group conducted a sensitivity analysis on the impairment of each CGU's carrying value. Although the Directors have concluded sufficient headroom[1] exists for all of the CGUs, there is a possibility that changes to the key assumptions could result in impairment. The Group has performed sensitivity analysis on the key assumptions affecting the valuation of the Branded and Injectables CGUs and has determined that sufficient headroom exists. Specifically, an evaluation of the valuation of the CGUs was made assuming an increase of 1% in the discount rate, or a 5% decline in the forecasted net sales, or a 5% decline in the gross margins in the terminal year, or a 1% decline in the terminal growth rate and in all cases sufficient headroom exists.

Whilst there is some uncertainty regarding the short-term impact of the political events in the MENA region, the Group does not consider that the likelihood of impairment losses in the long term has increased.

1. Headroom is defined as the excess of the higher of fair value less costs to sell and value in use, compared to the carrying value of a CGU

Other intangible assets

Other intangible assets with a net book value of $487 million at 31 December 2018 (2017: $503 million) consists of in-process research and development (IPR&D) of $236 million (2017: $223 million), product rights of $125 million (2017: $159 million) and other intangible assets of $126 million (2017: $121 million).

IPR&D: As of 31 December 2018, the Group performed its annual review of IPR&D. The result of this testing is an impairment charge of $4 million.

Product rights: Whenever impairment indicators are identified for definite life intangible assets, Hikma reconsiders the asset's estimated life, calculates the undiscounted value of the assets or asset group's cash flows and compares such value against the asset's or asset group's carrying amount. If the carrying amount is greater, Hikma records an impairment loss for the excess of book value over valuation based on the discounted cash flows by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. The more significant estimates and assumptions inherent in the estimate of the recoverable amount of identifiable intangible assets include all assumptions associated with forecasting product profitability. As at 31 December 2018, management did not identify any impairment indicators.

Software: Software intangibles mainly represent the Enterprise Resource Planning solutions that are being implemented in different operations across the Group in addition to other software applications. The software has an average estimated useful life that varies from three to ten years.

In 2018, the Group recorded an impairment charge of $5 million related to software.

Customer relationships: Customer relationships represent the value attributed to existing direct customers that the Group acquired on the acquisition of subsidiaries. The customer relationships have an average estimated useful life of 15 years.

Trade name: Trade names were mainly recognised on the acquisition of Hikma Germany GmbH (Germany) and Promopharm with estimated useful lives of ten years.

Marketing rights: Marketing rights are amortised over their useful lives commencing in the year in which the rights are ready for use with estimated useful lives that vary from two to ten years.

As at 31 December 2018, the Group had entered into definitive contractual commitments for the acquisition of intangible assets of $4 million (2017: $5 million).

17. Property, plant and equipment

	Land and buildings $m	Machinery and equipment $m	Vehicles, fixtures and equipment $m	Projects under construction $m	Total $m
Cost					
Balance at 1 January 2017	**530**	**539**	**98**	**192**	**1,359**
Additions	2	7	8	95	112
Adjustments to opening balance	2	1	1	–	4
Disposals	(1)	(4)	(2)	(2)	(9)
Transfers	52	64	7	(123)	–
Translation adjustment	7	12	2	2	23
Balance at 1 January 2018	**592**	**619**	**114**	**164**	**1,489**
Additions	8	15	6	100	129
Acquisition of subsidiaries (note 43)	7	5	–	–	12
Disposals	(33)	(22)	(4)	(3)	(62)
Transfers	6	18	2	(26)	–
Translation adjustment	(6)	(8)	(1)	(4)	(19)
Balance at 31 December 2018	**574**	**627**	**117**	**231**	**1,549**
Accumulated depreciation					
Balance at 1 January 2017	**(84)**	**(242)**	**(57)**	**(7)**	**(390)**
Charge for the year	(21)	(45)	(11)	–	(77)
Adjustments to opening balance	(2)	(1)	(1)	–	(4)
Disposals	–	1	2	–	3
Impairment (note 6)	(86)	(84)	(5)	(6)	(181)
Translation adjustment	(3)	(8)	(1)	–	(12)
Balance at 1 January 2018	**(196)**	**(379)**	**(73)**	**(13)**	**(661)**
Charge for the year	(19)	(38)	(12)	–	(69)
Disposals	19	23	4	–	46
Impairment (note 6)	–	(3)	–	–	(3)
Translation adjustment	2	5	1	–	8
Balance at 31 December 2018	**(194)**	**(392)**	**(80)**	**(13)**	**(679)**
Carrying amount					
At 31 December 2018	**380**	**235**	**37**	**218**	**870**
At 31 December 2017	396	240	41	151	828

Land is not subject to depreciation.

A depreciation amount of $55 million is included within the cost of sales, $2 million in sales and marketing expenses, $7 million in general and administrative expenses and $5 million in research and development expenses.

In 2018, the Group reported an impairment charge of $3 million, of which $2 million related to the closure of Eatontown (note 6).

The net book value of the Group's property, plant and equipment includes an amount of $2 million (2017: $6 million) in respect of assets held under finance lease.

As at 31 December 2018, the Group had pledged property, plant and equipment with a carrying value of $8 million (2017: $11 million) as collateral for various long-term loans. This amount includes both specific items around the Group and the net property, plant and equipment of the Group's businesses in Germany and Tunisia (2017: Germany, Tunisia and Egypt).

As at 31 December 2018, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $27 million (2017: $12 million).

18. Investments in associates and joint ventures

The Group's share in Hubei Haosun Pharmaceutical Co Ltd (China) is 49.0% at 31 December 2018 (31 December 2017: 30.1%) with an investment balance of $8 million at 31 December 2018 (31 December 2017: $3 million),

The Group's share of the results of Hubei Haosun Pharmaceutical Co Ltd (China) is $nil (2017: loss of $1 million).

	For the year ended 31 December 2018			For the year ended 31 December 2017		
	Joint ventures $m	**Associates $m**	**Total $m**	Joint ventures $m	Associates $m	Total $m
Balance at 1 January	**3**	**3**	**6**	3	4	7
Additions	**–**	**5**	**5**	–	–	–
Share of loss	**–**	**–**	**–**	–	(1)	(1)
Reclassification	**8**	**(8)**	**–**	–	–	–
Balance at 31 December	**11**	**–**	**11**	3	3	6

On 13 February 2018, Hikma acquired an additional stake in Hubei Haosun Pharmaceuticals Co Ltd (China) bringing the total ownership to 49.0% (2017:30.1%).

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

	As at 31 December 2018 $m	As at 31 December 2017 $m
Total assets	**17**	16
Total liabilities	**(2)**	(7)
Net assets	**15**	9
Group's share of net assets of joint ventures/associate[1]	**7**	3

	For the year ended 31 December 2018 $m	For the year ended 31 December 2017 $m
Total revenue	**6**	3
Net profit/(loss)	**1**	(1)
Group's share of loss of joint ventures/associate[1]	**–**	(1)

1. This represents the Groups share of net assets/share of results of Hubei Haosun Pharmaceuticals Co Ltd

In 2017, Hikma and MIDROC have agreed not to proceed with the Hikmacure joint venture and to liquidate it. As part of the liquidation process the joint venture granted two loans of $2 million each to the Group and MIDROC, the balance is currently outstanding and the liquidation is still in progress.

19. Financial and other non-current assets

	As at 31 December	
	2018 $m	2017 $m
Investments at FVTOCI (2017: available-for-sale investments)	**27**	16
Other non-current asset	**30**	44
	57	60

Investments at FVTOCI include investments in seven venture capital companies through the Group's venture capital arm Hikma International Ventures Developments LLC and Hikma Ventures Limited.

Other non-current assets mainly represent inventory expected not to be sold within one year.

20. Inventories

	As at 31 December	
	2018 $m	2017 $m
Finished goods	**135**	135
Work-in-progress	**83**	63
Raw and packing materials	**253**	234
Goods in transit	**32**	33
Spare parts	**25**	23
	528	488

Inventories are stated net of provisions as follows:

	As at 31 December 2017 $m	Additions $m	Utilisation $m	**As at 31 December 2018 $m**
Provisions against inventory	**81**	**62**	**(71)**	**72**

21. Trade and other receivables

	As at 31 December	
	2018 $m	2017 $m
Trade receivables	**654**	650
Prepayments	**57**	41
VAT and sales tax recoverable	**17**	13
Employee advances	**3**	3
	731	707

The fair value of receivables is estimated to be equal to the carrying amount.

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

	As at 31 December 2017 $m	IFRS 9 impact $m	As at 31 December 2017 and 1 January 2018 (adjusted) $m	Additions /(releases), net $m	Utilisation $m	Translation adjustments $m	**As at 31 December 2018 $m**
Chargebacks and other allowances	**238**	**–**	**238**	**1,861**	**(1,863)**	**–**	**236**
Doubtful debts	**67**	**3**	**70**	**(11)**	**(2)**	**(1)**	**56**
	305	**3**	**308**	**1,850**	**(1,865)**	**(1)**	**292**

More details on the Group's policy for credit and concentration risk are provided in note 31.

22. Collateralised and restricted cash

Collateralised and restricted cash amounted to $nil (2017: $4 million) and mainly represents restricted cash retained against short-term bank transactions granted to the Group's Sudanese, Algerian and Egyptian operations.

23. Cash and cash equivalents

	As at 31 December	
	2018 $m	2017 $m
Cash at banks and on hand	**112**	98
Time deposits	**128**	80
Money market deposits	**36**	49
	276	227

Cash and cash equivalents include highly liquid investments with maturities of three months or less which are convertible to known amounts of cash and are subject to insignificant risk of changes in value.

24. Other current assets

	As at 31 December	
	2018 $m	2017 $m
Price adjustment receivable	**20**	61
Investment at FVTPL (2017: available-for-sale investments)	**21**	22
Others	**18**	12
	59	95

Price adjustment receivable represents the current portion of the contingent receivable in relation to the Columbus business acquisition, whereby as part of the acquisition, the Group will be reimbursed for certain contingent payments in respect of milestones and other conditions based on future events. During the year, the Group received $45 million reimbursement (2017: $3 million) in cash. The non-current portion of price adjustment receivable is included within other non-current assets (note 19).

Investment at FVTPL represents the agreement the Group entered into with an asset management firm in 2015 to manage a $20 million portfolio of underlying debt instruments. The investment comprises a portfolio of assets that are managed by an asset manager and is measured at fair value; any changes in fair value go through consolidated income statement. This asset is classified as level 1 as it uses quoted prices in active markets.

25. Bank overdrafts and loans

	As at 31 December	
	2018 $m	2017 $m
Bank overdrafts	**–**	10
Import and export financing	**58**	48
Short-term loans	**7**	1
Current portion of long-term loans (note 29)	**9**	27
	74	86

	2018 %	2017 %
The weighted average interest rates paid are as follows:		
Bank overdrafts	**5.31**	4.55
Bank loans (including the non-current bank loans)	**4.48**	3.65
Eurobond	**4.25**	4.25
Import and export financing	**5.45**	4.58

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

26. Trade and other payables

	As at 31 December	
	2018 $m	2017 $m
Trade payables	**263**	218
Accrued expenses	**185**	134
Other payables	**17**	13
	465	365

The fair value of payables are estimated to be equal to the carrying amount.

Other payables mainly comprise employees' provident fund liability of $7 million (31 December 2017: $4 million), which mainly represents the outstanding contributions to the Hikma Pharmaceuticals Ltd (Jordan) retirement benefit plan, on which the fund receives 3.5% interest.

27. Other provisions

Other provisions represent the end of service indemnity provisions for employees of certain Hikma Group subsidiaries. This provision is calculated based on relevant laws in the countries where each Group company operates, in addition to their own policies.

Movements on the provision for the end of service indemnity:

	2018 $m	2017 $m
1 January	**26**	27
Additions	**5**	3
Utilisation	**(8)**	(4)
At 31 December	**23**	26

28. Other current liabilities

	As at 31 December	
	2018 $m	2017 $m
Contract liability[1]	**151**	127
Co-development and earnout payment	**2**	3
Supply manufacturing agreement	**18**	9
Obligations under finance leases (note 30)	**1**	1
Indirect rebate and other allowances	**65**	67
Others	**26**	31
	263	238

1. The 2018 balance includes the IFRS 15 transition impact of $27 million (note 1)

Contract liability: The Group allows customers to return products within a specified period prior to and subsequent to the expiration date. In addition, free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as compensation for expired or returned goods.

Co-development and earn out payment agreement: The liability mainly relates to the present value of future payments on a co-development and earn out agreement. As part of this agreement, milestone payments dependent on successful clinical development of defined products are received by the Group. In return of receiving such milestone payments, the Group has agreed to pay the contracting party a certain percentage of future sales of those products. As at 31 December 2018, the liability associated with these earn out payments was adjusted to reflect the present value of the expected future cash outflows and the difference is presented as a finance expense. This balance represents the current portion of the liability and the non-current portion is disclosed in note 32.

Supply manufacturing agreement: As part of the acquisition of the Columbus business, the Group entered into supply and manufacturing contracts with the seller, Boehringer Ingelheim. This balance represents the current portion of the liability and the non-current portion is disclosed in note 32.

Indirect rebate and other allowances: represents rebates granted to healthcare authorities and other parties under contractual arrangements with certain customers, see note 2.

29. Long-term financial debts

	As at 31 December	
	2018 $m	2017 $m
Long-term loans	**51**	201
Long-term borrowings (Eurobond)	**497**	496
Less: current portion of long term loans (note 25)	**(9)**	(27)
Long-term financial loans	**539**	670
Breakdown by maturity:		
Within one year	**9**	27
In the second year	**509**	139
In the third year	**8**	520
In the fourth year	**8**	4
In the fifth year	**9**	2
In the sixth year	**5**	5
	548	697
Breakdown by currency:		
US dollar	**514**	673
Euro	**17**	12
Algerian dinar	**16**	–
Saudi riyal	**–**	1
Egyptian pound	**–**	9
Tunisian dinar	**1**	2
	548	697

The loans are held at amortised cost.

Long-term loans amounting to $1 million (31 December 2017: $2 million) are secured on certain property, plant and equipment.

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

(a) A $500 million (carrying value of $497 million, and fair value of $496 million) 4.25% Eurobond due in April 2020 with the rating of (BB+/Ba1). The proceeds were used to refinance existing debt and to finance part of the cash consideration of the Columbus business acquisition.

(b) A syndicated revolving credit facility of $1,175 million was entered into on 27 October 2015. The facility has an outstanding balance of $nil at 31 December 2018, (with a fair value of $nil) (2017: $112 million with a fair value of $112 million) and a $1,175 million unused available limit (2017: $1,063), $1,000 million of the facility matures on 24 December 2021 and the remainder matures on 24 December 2019. The facility can be used for general corporate purposes.

(c) A ten-year $150 million loan from the International Finance Corporation was entered into on 21 December 2017. There was no utilisation of the loan as at 31 December 2018. Quarterly equal repayments of the long-term loan will commence on 15 March 2021. The loan will be used in the MENA region and in other World Bank countries of operation for general corporate purposes. The facility matures on 15 December 2027.

30. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2018 $m	2017 $m	**2018 $m**	2017 $m
Amounts payable under finance leases:				
Within one year[1]	**2**	2	**1**	1
In the second to fifth years inclusive	**24**	21	**23**	20
	26	23	**24**	21
Less: Interest lease charges	**(2)**	(2)		
Present value of minimum lease payments payable	**24**	21		

1. The current portion of the obligations under finance leases is included within other current liabilities (note 28)

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is five years (2017: five years). For the year ended 31 December 2018, the average effective borrowing rate was between 1.89% and 14.00% (2017: between 1.87% and 14.00%).

31. Financial policies for risk management and their objectives

Credit and concentration of risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for doubtful debts, chargebacks, and other allowances. A provision for impairment is made based on expected credit losses which are estimated based on previous experience, current events and forecasts of future conditions.

The credit risk on liquid investments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

In line with local market practice, customers in the MENA region are offered relatively long payment terms compared to customers in Europe and the US. During the year ended 31 December 2018, the Group's largest two customers in the MENA region represented 5.3% of Group revenue, 3.5% from one customer in Saudi Arabia, and 1.8% from a customer in Algeria. At 31 December 2018, the amount of receivables due from all customers based in Saudi Arabia was $83 million (2017: $131 million), and in Algeria was $55 million (2017: $67 million).

During the year ended 31 December 2018, three key US wholesalers represented 40.0% of Group revenue (2017: 44.3%). The amount of receivables due from all US customers at 31 December 2018 was $298 million (2017: $293 million).

The Group manages this risk through the implementation of stringent credit policies, procedures and certain credit insurance agreements.

Trade receivable exposures are managed locally in the operating units where they arise. Credit limits are set as deemed appropriate for the customer, based on a number of qualitative and quantitative factors related to the creditworthiness of a particular customer. The Group is exposed to a variety of customers ranging from government-backed agencies and large private wholesalers to privately owned pharmacies, and the underlying local economic risks vary across the Group. Typical credit terms in the US range from 30 to 90 days, in Europe from 30 to 120 days, and in MENA from 180 to 360 days. Where appropriate, the Group endeavours to minimise risk through the use of trade finance instruments such as letters of credit and insurance.

31. Financial policies for risk management and their objectives continued

The following table provides a summary of the age of trade receivables (note 21):

At 31 December 2018	Not past due on the reporting date $m	Past due less than 90 days $m	Between 91 and 180 days $m	Between 181 and 360 days $m	Over one year $m	Total $m
Total trade receivables as at 31 December 2018	**739**	**102**	**21**	**21**	**63**	**946**
Related allowance for doubtful debts	**(1)**	**–**	**(1)**	**(1)**	**(53)**	**(56)**
	738	**102**	**20**	**20**	**10**	**890**
Chargebacks and other allowances						**(236)**
Net receivables						**654**

At 31 December 2017	Not past due on the reporting date $m	Past due less than 90 days $m	Between 91 and 180 days $m	Between 181 and 360 days $m	Over one year $m	Total $m
Total trade receivables as at 31 December 2017	750	82	22	24	77	955
Related allowance for doubtful debts	(1)	–	(1)	(1)	(64)	(67)
	749	82	21	23	13	888
Chargebacks and other allowances						(238)
Net receivables						650

Market risk

The Group is exposed to foreign exchange and interest rate risk. The Group's objective is to reduce, where it is appropriate to do so, fluctuations in earnings and cash flow associated with changes in interest rates and foreign currency rates. Management actively monitors these exposures to manage the volatility relating to these exposures by entering into a variety of derivative financial instruments.

Capital risk management

The Group manages its capital and monitors its liquidity to have reasonable assurance that the Group will be able to continue as a going concern and deliver its growth strategy objectives, whilst reducing its cost of capital and maximising the return to shareholders through the optimisation of the debt and equity mix. The Group regularly reviews the capital structure by considering the level of available capital and the short to medium-term strategic plans concerning future capital spend, as well as the need to meet dividends, banking covenants, and borrowing ratios.

The Group defines capital as equity plus net funds, which includes bank overdrafts and loans (note 25), obligations under finance leases (note 30), long-term financial debts (note 29), net of cash and cash equivalents (note 23), and collateralised and restricted cash (note 22).

31. Financial policies for risk management and their objectives continued

During the year, the Group continued its strategy of obtaining debt financing at both the Group level and at the operating entities level. This enables the Group to borrow at competitive rates and to build relationships with local, regional and international banks and is therefore deemed to be the most effective means of raising finance, while maintaining the balance between borrowing costs, asset and liability management, and consolidated balance sheet currency risk management.

In order to monitor the available net funds, management reviews financial capital reports on a monthly basis, in addition to the continuous review by the Group treasury function.

At 31 December 2018, the Group's gearing ratio (total debt/equity) was 38% (2017: 51%). The decrease in the Group's gearing ratio is due to the repayment of long-term debt during 2018.

Cash management

The Group manages the deployment of cash balances to predefined limits approved by the Board of Directors under the cash/risk management policy. Per the policy, the Group's excess cash should be held with highly rated global and regional financial institutions. The aim of the policy is to mitigate the risk of holding cash in certain currencies, countries and financial institutions, through a specific threshold. The Group reviews the policy periodically to meet Hikma's risk appetite.

Foreign exchange risk and currency risk

The Group uses the US dollar as its presentation currency and is therefore exposed to foreign exchange movements primarily in the Euro, Algerian dinar, Sudanese pound, Japanese yen, Egyptian pound, Tunisian dinar and Moroccan dirham. Consequently, where possible, the Group enters into various contracts, which change in value as foreign exchange rates change, to hedge against the risk of movement in foreign denominated assets and liabilities. Due to the lack of open currency markets, the Algerian dinar, the Sudanese pound, the Tunisian dinar, the Moroccan dirham and the Egyptian pound cannot be hedged at reasonable cost. Where possible, the Group uses financing facilities denominated in local currencies to mitigate the risks. The Jordanian dinar, Saudi riyal and Lebanese pound had no impact on the consolidated income statement as those currencies are pegged against the US dollar.

Currency risks, as defined by IFRS 7, arise on account of financial instruments being denominated in a currency that is other than the functional currency of an entity and being of a monetary nature.

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

	Period-end rates		Average rates	
	2018	2017	**2018**	2017
US dollar/Euro	**0.8719**	0.8319	**0.8442**	0.8848
US dollar/Sudanese pound	**47.6190**	20.0000	**32.6797**	16.9779
US dollar/Algerian dinar	**118.3304**	114.9402	**116.6424**	110.9802
US dollar/Saudi riyal	**3.7495**	3.7495	**3.7495**	3.7495
US dollar/Pound sterling	**0.7839**	0.7379	**0.7464**	0.7755
US dollar/Jordanian dinar	**0.7090**	0.7090	**0.7090**	0.7090
US dollar/Egyptian pound	**17.8571**	17.7936	**17.7936**	17.8891
US dollar/Japanese yen	**109.5600**	112.7800	**110.2800**	112.1826
US dollar/Moroccan dirham	**9.5655**	9.3574	**9.3836**	9.6800
US dollar/Tunisian dinar	**2.9940**	2.4839	**2.6469**	2.4194
US dollar/Lebanese pound	**1,507.5000**	1,507.5000	**1,507.5000**	1,507.5000

31. Financial policies for risk management and their objectives continued

2018	Net foreign currency financial assets/(liabilities) US dollar $m	Euro $m	Algerian dinar $m	Japanese yen $m	Others[1] $m
Functional currency of entity:					
– Jordanian dinar	**89**	**43**	**(21)**	**(3)**	**9**
– Euro	**6**	**–**	**–**	**–**	**–**
– Algerian dinar	**(6)**	**(1)**	**–**	**–**	**–**
– Saudi riyal	**27**	**(1)**	**–**	**–**	**–**
– Sudanese pound	**(27)**	**–**	**–**	**–**	**–**
– Egyptian pound	**(42)**	**(1)**	**–**	**–**	**–**
– Tunisian dinar	**(1)**	**2**	**–**	**–**	**–**
– Moroccan dirham	**(3)**	**(6)**	**–**	**–**	**–**
– Lebanese pound	**(2)**	**–**	**–**	**–**	**(1)**
– US dollar	**–**	**1**	**–**	**–**	**2**
	41	**37**	**(21)**	**(3)**	**10**

1. Others include Saudi riyal, Jordanian dinar and Pound sterling

2017	Net foreign currency financial assets/(liabilities) US dollar $m	Euro $m	Algerian dinar $m	Japanese yen $m	Others[1] $m
Functional currency of entity:					
– Jordanian dinar	19	28	(11)	(1)	37
– Euro	–	–	–	–	–
– Algerian dinar	(6)	–	–	–	–
– Saudi riyal	39	(3)	–	(4)	–
– Sudanese pound	(10)	–	–	–	–
– Egyptian pound	(35)	(1)	–	–	–
– Tunisian dinar	(2)	2	–	–	–
– Moroccan dirham	(1)	(5)	–	–	–
– Lebanese pound	(3)	–	–	–	2
– US dollar	–	–	–	–	1
	1	21	(11)	(5)	40

1. Others include Saudi riyal and Jordanian dinar

A sensitivity analysis based on a 10% movement in foreign exchange rates has no material impact on the Group results or the Group consolidated statement of changes in equity.

The Group sets certain limits on liquid funds per currency (other than the functional currency of the Group) and per country.

31. Financial policies for risk management and their objectives continued

	As at 31 December 2018			As at 31 December 2017		
	Fixed rate $m	**Floating rate $m**	**Total $m**	Fixed rate $m	Floating rate $m	Total $m
Financial liabilities						
Interest-bearing loans and borrowings	**521**	**116**	**637**	515	262	777
Financial assets						
Cash and cash equivalents	**–**	**164**	**164**	–	129	129

An interest rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2018, with all other variables held constant. Based on the composition of the Group's debt portfolio as at 31 December 2018, a 1% increase/decrease in interest rates would not result in a material decrease/increase in finance cost being incurred per year (2017: $1 million increase/decrease).

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following financial assets/liabilities are presented at their carrying value which approximates to their fair value:

- cash and cash equivalents – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers the carrying amounts to be not significantly different from their fair values
- short-term loans and overdrafts – approximates to their fair value because of the short maturity of these instruments
- long-term loans – loans with variable rates are re-priced in response to any changes in market rates and so management considers the carrying amount to be not significantly different from their fair market value
- loans with fixed rates relate to the $500 million Eurobond accounted through amortised cost. The fair value is determined with reference to quoted price in an active market on the consolidated balance sheet date (note 29)
- receivables and payables – the fair values of receivables and payables are estimated to be equal to the respective carrying amounts;
- lease obligations – are valued at the present value of the minimum lease payments

Management classifies items that are recognised at fair value based on the level of inputs used in their fair value determination as described below:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities
- **Level 2:** Inputs that are observable for the asset or liability
- **Level 3:** Inputs that are not based on observable market data

Financial assets and liabilities that fall under Level 1 are:

- Investment at FVTPL amounted to $21 million (note 24).

Financial assets and liabilities that fall under Level 3 are:

- Co-development and earnout payment liabilities (note 28)
- Contingent consideration asset and liability resulting from the acquisition of the Columbus business (notes 24,28 and 32)
- Investment at FVTOCI (note 19)

31. Financial policies for risk management and their objectives continued

The following table presents the changes in Level 3 items for the year ended 31 December 2018 and the year ended 31 December 2017:

	Financial assets $m	Financial liabilities $m
Balance at 1 January 2017	39	258
Additions	29	–
Release	(3)	(3)
Remeasurement through income statement (note 6)	2	(65)
Balance at 31 December 2017 and 1 January 2018	67	190
Restatement on adoption of IFRS 9[1]	16	–
Balance at 1 January 2018 (adjusted)	**83**	**190**
Received/settlement	**(45)**	**(2)**
Remeasurement through income statement (note 6)	**–**	**26**
Additions	**4**	**–**
Fair value adjustments recognised in equity	**7**	**–**
Balance at 31 December 2018	**49**	**214**

1. As per IFRS 9 available-for-sale investments stated at cost (under IAS 39 cost exemption) have been re-classified to investments at FVTOCI

Liquidity risk of assets/(liabilities)

Liquidity risk

2018	Less than one year $m	One to five years $m	More than five years $m	Total $m
Cash and cash equivalents	**276**	**–**	**–**	**276**
Trade receivables	**654**	**–**	**–**	**654**
Interest-bearing loans and borrowings[1]	**(32)**	**(548)**	**(6)**	**(586)**
Interest-bearing import and export loans[1]	**(68)**	**–**	**–**	**(68)**
Interest bearing finance lease	**(2)**	**(24)**	**–**	**(26)**
Trade payables and accruals	**(448)**	**–**	**–**	**(448)**
	380	**(572)**	**(6)**	**(198)**

2017	Less than one year $m	One to five years $m	More than five years $m	Total $m
Cash and cash equivalents	227	–	–	227
Trade receivables	650	–	–	650
Interest-bearing loans and borrowings[1]	(52)	(700)	(6)	(758)
Interest-bearing overdrafts[1]	(10)	–	–	(10)
Interest-bearing import and export loans[1]	(51)	–	–	(51)
Interest-bearing finance lease	(2)	(21)	–	(23)
Trade payables and accruals	(352)	–	–	(352)
	410	(721)	(6)	(317)

1. As these are interest bearing liabilities, expected interest expense have been included in the balance

The Group regularly monitors all cash, cash equivalents and debt to maintain liquidity needs, this is done by analysing debt headroom and expected cash flows. The Group seeks to be proactive in its liquidity management to avoid any adverse liquidity effect.

At 31 December 2018, the Group had undrawn facilities of $1,724 million (2017: $1,534 million). Of these facilities, $1,391 million (2017: $1,256 million) were committed and the remainder were uncommitted.

32. Other non-current liabilities

	As at 31 December	
	2018 $m	2017 $m
Contingent consideration	**204**	178
Contingent liability	**109**	109
Supply manufacturing agreement (note 28)	**4**	25
Co-development and earnout payment (note 28)	**7**	8
Others	**5**	4
	329	324

Contingent consideration and contingent liability represent a contractual liability to make payments to thirds parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and royalty payments based on future sales of certain products that are currently under development.

33. Share capital

Issued and fully paid – included in shareholders' equity:

	2018		2017	
	Number	**$m**	Number	$m
At 1 January	**240,678,894**	**40**	239,954,532	40
Issued during the year (Ordinary Shares of 10p each)	**776,500**	**–**	724,362	–
At 31 December	**241,455,394**	**40**	240,678,894	40

34. Non-controlling interests

	2018 $m	2017 $m
At 1 January	**14**	15
Share of profit	**3**	4
Dividends paid	**(3)**	(2)
Currency translation loss	**(2)**	(1)
Acquisition of subsidiaries	**–**	(2)
At 31 December	**12**	14

35. Own shares

The Employee Benefit Trust (EBT) of Hikma holds 40,831 (2017: 40,831) Ordinary Shares in the Company. The trustee of the EBT is Link Trustees (Jersey) Limited an independent trustee. The market value of the Ordinary Shares held in the EBT at 31 December 2018 was $0.9 million (2017: $0.6 million). The book value of the retained own shares at 31 December 2018 are $0.6 million (2017: $0.6 million). The Ordinary Shares held in the EBT will be used to satisfy long-term commitments arising from the employee share plans operated by the Company.

36. Net cash generated from operating activities

	2018 $m	2017 $m
Profit/(loss) before tax	**293**	(738)
Adjustments for:		
Depreciation, amortisation, impairment, and write-down of:		
Property, plant and equipment	**72**	258
Intangible assets	**49**	983
Loss from investment at fair value through profit or loss	**1**	–
Loss on disposal of property, plant and equipment	**3**	3
Movement on provisions	**(3)**	(1)
Cost of equity-settled employee share scheme	**21**	22
Finance income	**(3)**	(95)
Interest and bank charges	**80**	86
Foreign exchange loss/(gain)	**5**	(4)
Cash flow before working capital	**518**	514
Change in trade and other receivables	**(41)**	52
Change in other current assets	**(5)**	(28)
Change in inventories	**(51)**	(31)
Change in trade and other payables	**88**	15
Change in other current liabilities	**7**	31
Change in other non-current liabilities	**(23)**	(7)
Cash generated from operations	**493**	546

37. Contingent liabilities

A contingent liability existed at the consolidated balance sheet date in respect of external guarantees and letters of credit totalling $53 million (31 December 2017: $47 million), arising in the normal course of business. No provision for these liabilities has been made in these consolidated financial statements.

In 2018, the Group received a civil investigative demand from the US Department of Justice requesting information related to products, pricing and related communications. In 2017, the Group had received a subpoena from a US state attorney general and a subpoena from the US Department of Justice. Hikma is still cooperating with all such demands, and management still does not believe that sufficient evidence exists at this point to make any provision.

38. Share-based payments

Executive Incentive Plan

The 2014 Executive Incentive Plan (EIP) was approved by shareholders at the 2014 Annual General Meeting. The EIP is a combined cash bonus (element A), deferred shares (element B) and restricted shares (element C) scheme. Under the EIP, the Group makes grants of conditional awards and $nil cost options under elements B and C to the Executive Directors and senior executives of the Group. Awards under all elements are dependent on the achievement of individual and Group KPIs over one year prior to grant. The shares awarded under element B are not released for a period of two years during which they are subject to a forfeiture condition. The shares awarded under element C are not released for a period of three years, but are not subject to a forfeiture condition. Members of the Executive Committee must retain 100% of the shares received from elements B and C for a period of five years from the date of grant. For EIP element B and C grants made in 2017 and before, Members of the Executive Committee must retain 50% of these shares for a period of five years from the date of grant.

Year 2018	2018 grants 7 June	2018 grants 16 May	2017 grants 11 May	2016 grants 11 May	2016 grants 17 March	2015 grants 15 May	2015 grants 10 April	Total Number
Beginning balance	–	–	608,376	149,579	448,875	47,000	114,430	1,368,260
Granted during the year	28,818	553,741	–	–	–	–	–	582,559
Exercised during the year	–	–	(60,330)	(119,464)	(236,472)	(47,000)	(90,406)	(553,672)
Outstanding at 31 December	**28,818**	**553,741**	**548,046**	**30,115**	**212,403**	**–**	**24,024**	**1,397,147**
Exercisable at 31 December	–	–	–	30,115	35,620	–	24,024	89,759
Weighted average contractual useful life (years)	9.40	3.66	2.63	0.36	2.36	-	6.28	2.84

Year 2017	2017 grants 11 May	2016 grants 11 May	2016 grants 17 March	2015 grants 15 May	2015 grants 10 April	Total Number
Beginning balance	–	165,553	448,875	118,000	338,808	1,071,236
Granted during the year	613,269	–	–	–	–	613,269
Exercised during the year	–	(3,578)	–	(71,000)	(224,378)	(298,956)
Expired during the year	(4,893)	(12,396)	–	–	–	(17,289)
Outstanding at 31 December	608,376	149,579	448,875	47,000	114,430	1,368,260
Exercisable at 31 December	–	–	–	–	17,386	17,386
Weighted average contractual useful life (years)	4.10	2.49	2.49	1.07	1.32	3.06

The cost of the EIP of $13 million (2017: $16 million) has been recorded in the consolidated income statement as part of general and administrative, and sales and marketing expenses.

The fair value per share is the face value of shares on the date of grant.

The weighted average share price for 2018 is $19.59 (2017: $20.03).

	Date of grants	Number granted	The estimated fair value of each share option granted $	The share price at grant date $
EIP 1	10/04/2015	338,808	33.24216	33.24216
EIP 2	15/05/2015	118,000	33.11449	33.11449
EIP 3 B	17/03/2016	242,608	26.97918	26.97918
EIP 3 C	17/03/2016	206,267	26.97918	26.97918
EIP 4	11/05/2016	165,553	32.15333	32.15333
EIP 5 B	13/04/2017	428,528	23.97771	23.97771
EIP 5 C	13/04/2017	184,741	23.97771	23.97771
EIP 6 B	16/05/2018	440,231	19.09082	19.09082
EIP 6 C	16/05/2018	113,456	19.09082	19.09082
EIP 7	07/06/2018	28,818	18.83410	18.83410

The exercise price of the share award is $nil.

38. Share-based payments continued

Management Incentive Plan

The 2009 Management Incentive Plan (MIP) was approved by shareholders at the 2010 Annual General Meeting, whereby shareholders consented to the Group satisfying awards under the MIP from newly issued shares. Under the MIP, the Group makes grants of conditional awards to management across the Group below senior management level. Awards are dependent on the achievement of individual and Group KPIs over one year and are then subject to a two-year holding period. The 2009 MIP awards were made at the start of the KPI performance period, whereas the 2011 awards and future awards will be made at the end of the KPI performance period.

Details of the grants under the plan are shown below:

Year 2018	2018 grants 16 May Number	2017 grants 19 May Number	2016 grants 11 May Number	2015 grants 14 May Number	2014 grants 11 June Number	2013 grants 17 May Number	Total Number
Outstanding at 1 January	–	259,099	173,725	10,563	8,149	4,787	456,323
Granted during the year	443,288	–	–	–	–	–	443,288
Exercised during the year	(3,960)	(17,270)	(165,471)	–	–	–	(186,701)
Expired during the year	(2,966)	(3,363)	–	–	–	–	(6,329)
Outstanding at 31 December	**436,362**	**238,466**	**8,254**	**10,563**	**8,149**	**4,787**	**706,581**
Weighted average remaining contractual life (years)	1.76	0.37	7.34	6.37	5.45	4.38	1.28

Year 2017	2017 grants 19 May Number	2016 grants 11 May Number	2015 grants 14 May Number	2014 grants 11 June Number	2013 grants 17 May Number	Total Number
Outstanding at 1 January	–	192,725	132,442	12,632	9,973	347,772
Granted during the year	273,724	–	–	–	–	273,724
Exercised during the year	–	–	(121,879)	(4,483)	(5,186)	(131,548)
Expired during the year	(14,625)	(19,000)	–	–	–	(33,625)
Outstanding at 31 December	259,099	173,725	10,563	8,149	4,787	456,323
Weighted average remaining contractual life (years)	1.38	0.36	7.37	6.45	5.30	1.27

The cost of the MIP of $8 million (2017: $6 million) has been recorded in the consolidated income statement as part of general and administrative, sales and marketing, cost of sales, and research and development expenses.

The fair value per share is the face value of shares on the date of grant less the present value of dividends expected to be paid during this period. Valuation is based on Black-Scholes methodology for nil-cost options.

The weighted average share price for 2018 is $19.59 (2017: $20.03).

	Date of grants	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected dividends yield %
MIP 1	19/03/2009	340,000	4.89	5.11	1.47
MIP 2	28/03/2010	147,561	9.15	9.36	1.15
MIP 3	11/05/2011	356,894	12.96	13.23	1.00
MIP 4	18/05/2012	412,056	9.47	9.72	1.29
MIP 5	17/05/2013	252,482	14.61	14.93	1.10
MIP 6	11/06/2014	225,904	27.73	28.33	0.71
MIP 7	11/05/2015	145,918	32.17	32.63	0.71
MIP 8	11/05/2016	196,373	31.73	32.20	0.73
MIP 9	19/05/2017	273,724	22.09	22.54	1.01
MIP 10	16/05/2018	443,288	18.45	19.09	1.71

The exercise price of the share award is $nil.

38. Share-based payments continued

Long-term Incentive Plan

The 2007 Long-Term Incentive Plan (LTIP) was approved by shareholders at the 2007 Annual General Meeting and the last grant was made under the LTIP during the year ended 31 December 2014. The LTIP is settled by equity instruments, with 15 separate grant dates. Under the LTIP, conditional awards and $nil cost options were granted which vest after three years subject to a total shareholder return (TSR), revenue growth, earnings per share and return on invested capital performance conditions. The TSR condition measures the Group's TSR relative to a comparator group of other pharmaceutical companies. The TSR vesting schedule dictates that 20% of awards vest for median performance and 100% for upper quartile performance, with pro-rata vesting in between these points. No awards vest for performance which is below the median.

Details of the grants under the plan are shown below:

Date of grants	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected volatility	Expected dividend yield	Risk-free interest rate
3-Dec-2014	5,899	23.28	31.39	25.40%	0.71%	1.28%
11-Jun-2014	151,429	23.47	28.62	25.40%	0.71%	1.28%
29-May-2014	109,000	22.67	27.63	27.00%	0.73%	1.15%
3-Apr-2014	89,727	23.25	27.73	26.00%	0.72%	1.17%
6-Nov-2013	20,802	15.18	19.41	26.00%	0.89%	0.89%
17-May-2013	470,683	11.00	14.92	26.40%	1.10%	0.45%
16-Mar-2012	547,780	8.65	11.43	30.31%	1.14%	0.67%
18-Mar-2011	646,054	9.00	11.74	37.04%	1.11%	1.65%
22-Mar-2010	730,253	6.97	9.00	37.18%	1.20%	1.88%
19-May-2009	200,000	3.89	6.67	38.98%	1.22%	1.92%
19-Mar-2009	920,000	2.94	5.11	38.98%	1.47%	1.88%
29-Apr-2008	700,000	5.46	9.22	31.47%	0.08%	4.50%
10-Sep-2007	150,000	4.70	8.28	34.64%	0.08%	5.00%
23-Apr-2007	466,000	4.47	7.69	34.64%	0.08%	5.45%
2-Apr-2007	160,000	4.33	7.46	34.64%	0.08%	5.40%

All long-term incentive plans have ten years' contractual life and vest after three years.

The estimated fair value of each share option granted in the LTIP was calculated by applying the Monte Carlo simulation methodology. For awards made from 2011, 50% of the award is subject to a TSR performance condition which was valued by applying the Monte Carlo simulation methodology, the remaining 50% of the award is subject to financial metrics which are valued by applying the Black-Scholes model. For further details, see the Remuneration Committee report.

The exercise price of the share award is $nil.

Further details on the number of shares outstanding are as follows:

Year 2018	2014 grants 11 June Number	2013 grants 17 May Number	2012 grant 16 March Number	Total Number
Outstanding at 1 January	**24,720**	**26,630**	**22,220**	**73,570**
Exercised during the year	**(4,347)**	**–**	**–**	**(4,347)**
Expired during the year	**(903)**	**–**	**–**	**(903)**
Outstanding at 31 December	**19,470**	**26,630**	**22,220**	**68,320**
Exercisable at 31 December	**19,470**	**26,630**	**22,220**	**68,320**
Weighted average remaining contractual life (years)	5.45	4.38	3.21	4.30

38. Share-based payments continued

Year 2017	2014 grants 3 December Number	2014 grants 14 June Number	2014 grants 29 May Number	2014 grants 3 April Number	2013 grants 6 November Number	2013 grants 17 May Number	2012 grant 16 March Number	2007 grants 23 April Number	Total Number
Outstanding at 1 January	5,899	151,429	109,000	84,954	5,180	31,985	22,220	13,000	423,667
Exercised during the year	(4,885)	(104,914)	(90,252)	(70,342)	(4,485)	(4,637)	–	(13,000)	(292,515)
Expired during the year	(1,014)	(21,795)	(18,748)	(14,612)	(695)	(718)	–	–	(57,582)
Outstanding at 31 December	–	24,720	–	–	–	26,630	22,220	–	73,570
Exercisable at 31 December	–	24,720	–	–	–	26,630	22,220	–	73,570
Weighted average remaining contractual life (years)	–	6.45	–	–	–	5.38	4.21	–	5.39

No costs for LTIPs were recognised in the consolidated income statement (2017: $1 million credited to profit and loss).

The weighted average share price for 2018 is $19.95 (2017: $20.03).

39. Operating lease arrangements

	2018 $m	2017 $m
Minimum lease payments under operating leases recognised in profit or loss for the year	**13**	9

At the consolidated balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 $m	2017 $m
Within one year	**7**	9
In two to five years inclusive	**21**	22
After five years	**10**	13
	38	44

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a term of one to eight years.

40. Related parties

Transactions between Hikma and its subsidiaries (together, the Group) have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates, joint ventures and other related parties are disclosed below.

Trading transactions

During the year ended 31 December 2018, the Group entered into the following transactions with related parties:

Boehringer Ingelheim (BI): is a related party of Hikma because BI owns 16.6% (2017: 16.6%) of the share capital of Hikma, controls 11.8% (2017: 11.8%) of the voting capital of Hikma, has the right to appoint a director of Hikma and a senior executive of BI holds a directorship of Hikma. The Group total sales to BI amounted to $66.6 million (2017: $79.1 million) and the Group total purchases from BI amounted to $5.1 million (2017: $10.6 million). As at the year end, the amount owed from BI to the Group was $18.1 million (2017: $43.8 million). Additionally, balances arising from the acquisition of the Columbus business from BI relating to contingent consideration are disclosed in notes 24, 28 and 32.

Capital Bank, Jordan: is a related party of Hikma because one director of Hikma is the founder and former Chief Executive Officer of Capital Bank. At the year end, total cash balance at Capital Bank was $7.5 million (2017: $11.8 million) and utilisation of facilities granted by Capital Bank to the Group amounted to $nil (2017: $nil). The interest income is within the market range.

Darhold Limited (Darhold): is a related party of Hikma because three directors of Hikma jointly constitute the majority of directors and shareholders (with immediate family members) in Darhold and because Darhold owns 24.85% (2017: 24.93%) of the share and voting capital of Hikma. Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited during the year.

Hikmacure Limited (Hikmacure): is a related party of Hikma because Hikmacure is a 50:50 joint venture (JV) with MIDROC Pharmaceuticals Limited (MIDROC). Hikma and MIDROC have invested in Hikmacure in equal proportions of $2.5 million each in cash (2017: $2.5 million). During 2017, Hikma and MIDROC agreed not to proceed with and to liquidate the venture.

HMS Holdings SAL (HMS): is a related party of Hikma because HMS is owned by the family of two directors of Hikma. Other than dividends (as paid to all shareholders), there were no transactions between the Group and HMS during the year.

Hubei Haosun Pharmaceutical Co Ltd (Haosun): is a related party of Hikma because the Group holds a 49.0% interest in the joint venture (JV) with Haosun (2017: 30.1%). During 2018, total purchases from Haosun were $2.3 million (2017: $1.4 million). At 31 December 2018, the amount owed from Haosun to the Group amounted to $0.2 million (2017: $1.6 million). During the year Hikma acquired an additional stake in Haosun bringing the total ownership to 49.0% (note 18).

Labatec Pharma (Labatec): is a related party of the Group because Labatec is owned by the family of two directors of Hikma. During 2018, total Group sales to Labatec amounted to $2.9 million (2017: $1.8 million). As at the year end, the amount owed by Labatec to the Group was $0.3 million (2017: $0.3 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 81 to 104.

	2018 $m	2017 $m
Short-term employee benefits	**17.4**	11.0
Share-based payments	**8.0**	10.2
Post-employment benefits	**0.1**	10.3
Other benefits	**0.8**	0.6
	26.3	32.1

41. Subsidiaries, associate and joint venture

The subsidiaries, associate and joint venture of Hikma Pharmaceuticals PLC are as follows:

			Owned by the Group		*Owned by PLC 'the Company'*	
Company's name	**Incorporated in**	**Address of the registered office**	**Ownership% Ordinary Shares At 31 December 2018**	**Ownership% Ordinary Shares At 31 December 2017**	**Ownership% Ordinary Shares At 31 December 2018**	**Ownership% Ordinary Shares At 31 December 2017**
Al Jazeera Pharmaceutical Industry S.A.R.L	Algeria	Zone d'Activité, Propriété N° 379 Section N° 04 Staoueli, Algeria	99%	99%	–	–
Algerie Industrie Mediterraneene Du Medicament S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	97%	97%	–	–
Hikma Pharma Algeria S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	100%	100%	–	–
SPA Al Dar Al Arabia pour la Fabrication de Médicaments	Algeria	Zone d'Activité El Boustane N° 78, Sidi Abdellah, Al Rahmania, Algeria	100%	100%	–	–
Hubei Haosun Pharmaceutical Co Ltd	China	No 20 Juxian Road, Gedian Economic and Technology Development Area, Hubei, China	49%	30%	–	–
Hikma for Importation Co. LLC	Egypt	12 El-Esraa Street, El-Mohandeseen, Lebanon Square, Giza, Egypt	99%	99%	–	–
Hikma Pharma S.A.E[1]	Egypt	12 El-Esraa Street, El-Mohandeseen, Lebanon Square, Giza, Egypt	100%	100%	–	–
Hikma Pharmaceuticals Industries S.A.E	Egypt	16 Ahmed Hosny Street, First Zone, Naser City, Cairo, Egypt	100%	100%	–	–
Hikma Specialised Pharmaceuticals (S.A.E)	Egypt	10 D, 11 D, Industrial Zone, Badr City, Cairo, Egypt	98%	98%	–	–
Hikmacure Pharmaceuticals Share Company	Ethiopia	Addis Ababa, Bole Sub City, Kebele 16, Woreda, Ethiopia	50%	50%	–	–
Hikma Pharma GmbH	Germany	Lochhamer Strasse 13, 82152, Martinsried, Germany	100%	100%	–	–
Thymoorgan GmbH[1]	Germany	Schiffgraben 23, DE-38690, Goslar, OT Vienenburg, Deutchland	100%	100%	–	–
Thymoorgan Pharmazie GmbH	Germany	Schiffgraben 23, DE-38690, Goslar, OT Vienenburg, Deutchland	100%	100%	–	–
Hikma Finance (Ireland) Limited	Ireland	2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland	100%	100%	–	–
Hikma Italia S.p.A	Italy	Viale Certosa 10, 27100, Pavia, Italy	100%	100%		
Hikma Pharma Limited[1]	Jersey	47 Esplanade, St Helier, JE1 0BD, Jersey	100%	100%	100%	100%
Arab Medical Containers LLC[1]	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	100%	100%	–	–
Arab Pharmaceutical Manufacturing PSC[1]	Jordan	Al Buhaira – Salt, P.O. Box 42, Jordan	100%	100%		
Future Pharmaceutical Industries LLC	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	100%	100%	–	–
Hikma International Pharmaceuticals LLC (Exempt)	Jordan	122 Queen Zain AlSharaf Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%	–	–
Hikma International Ventures and Development LLC (Exempt)	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma Investment LLC[1]	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma Pharmaceuticals LLC[1]	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma United Renewable Energy	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–

41. Subsidiaries, associate and joint venture continued

Company's name	Incorporated in	Address of the registered office	*Owned by the Group* Ownership% Ordinary Shares At 31 December 2018	*Owned by the Group* Ownership% Ordinary Shares At 31 December 2017	*Owned by PLC 'the Company'* Ownership% Ordinary Shares At 31 December 2018	*Owned by PLC 'the Company'* Ownership% Ordinary Shares At 31 December 2017
International Pharmaceutical Research Centre LLC	Jordan	P.O. Box 963166, Amman, 11196, Jordan	51%	51%	–	–
Sofia Travel and Tourism	Jordan	Mustafa Semreen Complex Building No. 29, Jamal Qaytoqa Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%	–	–
Specialised for Pharmaceutical Industries LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma CIS JSC	Kazakhstan	Apt. 1, House 7, Building-28, 'Keremet' Microdistrict, Bostandykskiy District, Almaty,A15C8X2, Kazakhstan	100%	100%	–	–
Hikma Pharmaceuticals Co. Ltd., Almaty (Kazakhtan) Representative Office	Kazakhstan	Apt. 1, House 7, Building-28, 'Keremet' Microdistrict, Bostandykskiy District, Almaty,A15C8X2, Kazakhstan	100%	100%	–	–
Hikma Liban S.A.R.L.	Lebanon	Saria Building, Ground Floor, Embassies Street, Bir Hassan, Beirut, Lebanon	67%	67%	–	–
Hikma Finance (Luxembourg) SARL	Luxembourg	20 rue des Peupliers, L-2328 Luxembourg	100%	100%	–	–
Société de Promotion Pharmaceutique du Maghreb (Promopharm S.A.) [1]	Morocco	Zone Industrielle du Sahel, Rue N. 7, Had Soualem, Province de Settat, Morocco	94%	94%		
Hikma International N.V	Netherlands	Luna Arena, Herikerberweg 238, 1101 CM, Amersterdam Zuidoost, Netherlands	100%	100%	100%	100%
Hikma Pharma Benelux B.V	Netherlands	Nieuwe Steen 36, 1625 HV, Hoorn, Netherlands	100%	100%	–	–
Eurohealth N.V	Netherlands Antilles	Pareraweg 45, P.O. Box 4914, Curacao, (Netherlands Antilles)	100%	100%	–	–
Hikma Farmaceutica, (Portugal) S.A	Portugal	Estrada Rio Da Mo no.8, 8a, 8B-Fervenca, 2705-906, Terugem SNT, Portugal	100%	100%	–	–
Lifotec Farmaceutica S.G.P.S S.A[1]	Portugal	Estrada Nacional 9, Fervença, São João das Lampas e Terrugem, Sintra, Portugal	100%	100%	–	–
Al Jazeerah Pharmaceutical Industries Ltd[1]	Saudi Arabia	Riyadh Gallery, Olaya Street, P.O. Box 106229, Riyadh-11666, Kingdom of Saudi Arabia	100%	100%	52.5%	52.5%
Hikma Slovakia s.r.o	Slovakia	Seberíniho 1, 821 03 Bratislava, Slovakia	100%	100%	–	–
Pharma Ixir Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	51%	51%	–	–
Savannah Pharmaceutical Industries Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	100%	100%	–	–
Eurohealth International S.A.R.L.	Switzerland	Rue des Battoirs 7, 1205 Genève, Switzerland	100%	100%	100%	100%
APM Tunisie S.A.R.L.	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage, 2035, Tunisia	99%	99%	–	–
STE D'Industriee Pharmaceutique Ibn Al Baytar[1]	Tunisia	11 Rue 8610 Charguia 1-2035 Tunis-Carthage, Tunisia	100%	100%	–	–
STE Hikma Pharma Tunisie	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage 2035, Tunisia	100%	100%	–	–
STE Medicef	Tunisia	Avenue Habib Bourguiba, Sidi Thabet, 2020 Ariana, Tunisia	100%	100%	–	–

41. Subsidiaries, associate and joint venture continued

Company's name	Incorporated in	Address of the registered office	Owned by the Group: Ownership% Ordinary Shares At 31 December 2018	Owned by the Group: Ownership% Ordinary Shares At 31 December 2017	Owned by PLC 'the Company': Ownership% Ordinary Shares At 31 December 2018	Owned by PLC 'the Company': Ownership% Ordinary Shares At 31 December 2017
Hikma Emerging Markets and Asia Pacific FZ-LLC	United Arab Emirates	Premises 202-204, Floor 2, Building 26, Dubai, United Arab Emirates	100%	100%	100%	100%
Hikma International Trading Limited	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%	100%	100%
Hikma MENA Holdings Limited[1]	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%	100%	100%
Hikma (Maple) Limited	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Hikma Acquisitions (UK) Limited[1]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	100%	100%
Hikma Holdings (UK) Limited[1]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Hikma UK Limited[1]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Hikma Ventures Limited[1]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	100%	100%
Hikmacure Limited[1]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	50%	50%	–	–
West-Ward Holdings Limited[1]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Hikma Pharmaceuticals International Limited[1]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Bedford Property Holdings, Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle, DE 19802, United States	100%	100%	–	–
Eurohealth (U.S.A.) Inc[1]	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle, DE 19802, United States	100%	100%	–	–
Hikma Speciality USA, Inc.	United States	C T Corporation System, 800 S Gay Street, Suite Knoxville TN 2021 37929-9710, United States	100%	100%	–	–
Hikma Labs Inc.	United States	Corporation Trust Company of Nevada 701 S Carson Street Suite 200, Carson City, NV 89701, United States	100%	100%	–	–
West-Ward Columbus Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%	–	–
Hikma Injectables, Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%	–	–
Hikma Pharmaceuticals USA Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%	–	–
Hikma (HK) Limited	Hong Kong	4603-4609, 46/F Jardine HSE, One Connaught Place, Central Hong Kong	100%	–	–	–
Hikma Shefaa for Pharmaceuticals and Medical Supplies PSC	Palestine	West Bank Al Birah, Ramallah	100%	–	–	–

The investments in subsidiaries are all stated at cost in Hikma Pharmaceuticals PLC, while accounted for using the equity method in the Group.

The investments in associates and joint ventures are accounted for using the equity method in the Group (note 18).

The Group's subsidiaries principally operate in trading pharmaceuticals products and associated goods and services. Companies marked (1) were incorporated as holding companies.

42. Defined contribution retirement benefit plan

Hikma Pharmaceuticals PLC has defined contribution retirement plans in five of its subsidiaries: Hikma Pharmaceuticals PLC – United Kingdom, Hikma Pharmaceuticals LLC (Jordan), Arab Pharmaceutical Manufacturing PSC, Hikma Pharmaceuticals USA Inc. and West-Ward Columbus Inc. The details of each contribution plan are as follows:

Hikma Pharmaceuticals PLC – United Kingdom

The Group currently has a defined contribution pension plan available for staff working in the United Kingdom whereby the Group contributes 10% of basic salary. Employees are immediately entitled to 100% of the Group's contributions. The Group's contributions for the year ended 31 December 2018 were $0.4 million (2017: $0.2 million).

Hikma Pharmaceuticals LLC – Jordan

The Group currently has an employee savings plan whereby the Group fully matches employees' contributions, which are fixed at 10% (up to 2011 was 5%) of basic salary. Employees are entitled to 30% of the Group contributions after three years of employment with the Company and an additional 10% for each subsequent year. Employees are entitled to 100% of the Company contributions after ten years of employment with the Company. The Group's contributions for the year ended 31 December 2018 were $3 million (2017: $3 million).

Arab Pharmaceutical Manufacturing PSC – Jordan

The Group currently has an employee saving plan whereby the employees contribute at 10%, and the Company at 15% of basic salary. After three years of employment with the Company, employees are entitled to 100% of the Company contributions. The Group's contributions for the year ended 31 December 2018 were $0.9 million (2017: $1 million).

Hikma Pharmaceuticals USA Inc.: (401 (k) salary saving plan)

Hikma Pharmaceuticals USA Inc. has a 401(k)-defined contribution plan, which allows all eligible employees to defer a portion of their income through contributions to the plan. All employees not covered by any collective bargaining agreement are eligible after being employed for 90 days. Employees can defer up to 95% of their gross salary into the plan, not to exceed $18,500 (2017: $18,000), not including catch-up contributions available to eligible employees as outlined by the Internal Revenue Service. The Company matches the employees' eligible contribution dollar-for-dollar on the first 6% of eligible pay contributed to the plan. Employer contributions vest 50% after two years of service and 100% after three years of service. Employees are considered to have completed one year of service for the purposes of vesting upon the completion of 1,000 hours of service at any time during a plan year. Employer contributions to the plan for the year ended 31 December 2018 were $3.5 million (2017: $3 million). The assets of both retirement plans are held separately from those of the Group. The only obligation of the Group with respect to both retirement benefit plans is to make specified contributions.

West-Ward Columbus Inc.: (401 (k) salary saving plan)

West-Ward Columbus Inc. has a 401(k)-defined contribution plan, which allows all eligible employees to defer a portion of their income through contributions to the plan. Employees can defer up to 95% of their gross salary into the plan, not to exceed $18,500 (2017: $18,000), not including catch-up contributions available to eligible employees as outlined by the Internal Revenue Service. The Company matches 100% on first 5% of the employees' eligible contribution. Employer contributions vest after six years of service. Employees are considered to have completed one year of service for the purposes of vesting upon the completion of 1,000 hours of service at any time during a plan year. Employer contributions to the plan for the year ended 31 December 2018 were $7 million (2017: $8 million). The assets of both retirement plans are held separately from those of the Group. The only obligation of the Group with respect to both retirement benefit plans is to make specified contributions.

43. Business combinations

Acquisition of Geber Health

On 12 March 2018, Hikma signed an asset purchase agreement with EURL Geber Health. The overall cash consideration for the tangible and intangible assets amounted to $13 million.

This acquisition has been accounted for as per IFRS 3 'business combination' where a set of activities and assets that is capable of being conducted and managed for the purpose of providing a return exists.

The assets acquired included an oral general formulation facility located in Algeria. Hikma has converted this facility into an oral cephalosporin facility in order to locally manufacture its cephalosporin portfolio for the Algerian market.

The fair value of the assets acquired included property, plant and equipment of $12 million and intangible assets of $1 million.

There was insignificant goodwill as a result of this acquisition.

From the date of acquisition, Geber Health contributed $4 million of revenue and $0.4 million to profit before tax of the Group.

If the acquisition of Geber health had been completed on the first day of the financial year, the Group's revenues for the year would have been approximately USD $2,073 million and the Group's profit before tax would have been approximately USD $294 million.

44. Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 15 transition impact on opening balance sheet as at 1 January 2018

The Group has adopted IFRS 15 applying modified retrospective approach on 1 January 2018 with a cumulative adjustment as an increase to other current liabilities of $27 million (contract liability), reflecting the free goods obligations outstanding as at 1 January 2018, an increase of trade receivables by $1 million, a decrease in the income tax provision by $1 million and the corresponding net adjustment to decrease retained earnings by $25 million. There is no restatement to prior periods as permitted in the transition roles for IFRS 15.

IFRS 15 impact on the consolidated income statement for the year ended 31 December 2018

The Group revenue was reduced by $36 million under IFRS 15 reporting. This was mainly due to the change in the accounting treatment for payments made to customers ($32 million) and free goods ($4 million) under IFRS 15. Previously, certain customer payments were accounted for as sales and marketing expenses whereas under IFRS 15, any payments made to customers (unless payments made in exchange for distinct good or service that the customer transfers to the entity) are treated as a reduction of transaction price and recognised as a reduction of revenue. See note 2 for change in accounting policy for free goods.

IFRS 15 impact on the consolidated balance sheet as at 31 December 2018

The Group current liabilities balance was increased by $31 million and the retained earnings balance decreased by $29 million under IFRS 15 reporting. This was mainly due to the change in free goods accounting treatment. See note 2 for change in accounting policy for free goods.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group applied IFRS 9 retrospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings.

The effect of adopting IFRS 9 as at 1 January 2018 is explained in note 1.

45. Subsequent events

Acquisition of Medlac

On 2 January 2019, the Group acquired 100% of the share capital of Medlac Pharma Italy Co Ltd. (Medlac), an injectable manufacturing company in Vietnam. The total consideration amount includes an initial upfront cash payment of $8 million and is not expected to exceed $17 million. The consideration includes deferred and contingent consideration payable on successful achievement of certain conditions and milestones. The acquisition includes an injectable facility, adjacent vacant land, Medlac's product portfolio of 23 injectables products, its pipeline and all employees.

The fair value and purchase price allocation of the acquired assets and liabilities will be disclosed in the financial statements for the interim period ending 30 June 2019.

Legal settlement

On 13 January 2019, a litigation matter with an external party was concluded in Hikma's favour and Hikma was entitled to receive compensation of $32 million. The settlement amount was received on 13 February 2019 and this will be recognised in the financial statements.

Independent auditors' report to the members of Hikma Pharmaceuticals plc

Report on the audit of the financial statements

Our opinion

In our opinion:

- Hikma Pharmaceuticals plc's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and parent Company balance sheets as at 31 December 2017; the consolidated income statement and statement of comprehensive income, the consolidated cash flow statement, and the consolidated and parent Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 2 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ('IASB').

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in Note 6 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview

- Overall Group materiality: $14,000,000 (2016: $13,275,000), based on 5% of profit before tax after adding back certain non-recurring items such as impairment charges, indemnity income relating to the Group's 2016 acquisition activity, severance and other expenses resulting from the planned restructuring of the Eatontown, New Jersey manufacturing facility and the impact of US tax reform. Overall Company materiality: capped at $10,000,000 (2016: $13,275,000), but calculated based on 1% of total assets. For the purposes of the Group audit, we applied a lower materiality to Company balances and transactions, other than those which were eliminated on consolidation in the Group financial statements.
- Our audit included full scope audits of seven components, procedures on specific financial statement line items of one component and procedures performed centrally over specific material balances at other locations around the world. Taken together these account for 83% of consolidated revenue, 73% of consolidated profit before tax and 88% of consolidated total assets.
- Impairment of goodwill and intangible assets;
- Revenue recognition – chargebacks, returns and other revenue deductions;
- Taxation;
- Carrying value of investments in subsidiaries (Company only).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and Company and the industry in which they operate, and considered the risk of acts by the Group and Company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We designed audit procedures that focused on laws and regulations that could give rise to a material misstatement in the event of non-compliance particularly relating to, but not limited to, regulations set out by the United States Food and Drug Administration (the 'FDA') and other industry regulators, defence of products, pricing and practices legislation, taxation and anti-bribery and corruption legislation. Our tests included, but were not limited to, enquiries of management, review of related work performed by component audit teams, review of relevant Internal Audit reports and discussions with in-house legal counsel supplemented by review of external legal counsel correspondence. There are inherent limitations in the audit procedures described above as the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud, and the risk of fraud in revenue recognition. Procedures designed and executed to address these risks included use of data enabled auditing techniques to test journal entries and post-close adjustments, testing and evaluating management's key accounting estimates for reasonableness and consistency, undertaking cut-off procedures to verify proper cut-off of revenue and expenses and testing the existence and accuracy of revenue transactions. In addition, we incorporate an element of unpredictability into our audit work each year

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Impairment of goodwill and intangible assets

Key audit matter	How our audit addressed the key audit matter
The Group has goodwill of $282 million and intangible assets of $503 million (31 December 2016: $682 million and $1,037 million, respectively) comprising customer relationships, product related intangible assets, software and other identified intangible assets. This is contained within three cash generating units ('CGUs'). All CGUs containing goodwill and indefinite –lived intangible assets must be tested for impairment annually. The determination of carrying values, requires judgement on the part of management in identifying and then estimating the higher of the value in use and a fair value less cost to dispose for the relevant CGUs. These amounts are based on management's view of future cash flow forecasts and external market conditions such as future pricing probability of technical and regulatory success and the most appropriate discount rate. For the year ended 31 December 2017, the Group has recorded $1,105 million as an exceptional impairment charge, principally in relation to a number of events that occurred in the second half of 2017 including the continued delay in approval of its application for its generic version of Advair Diskus® and sustained pricing pressures and erosion in the US generics market. This impairment charge was recorded in respect of goodwill, marketed products and products under development in the Group's US segment, as well as fixed assets underpinning the manufacturing process in this segment. As the carrying values of goodwill and intangible assets are contingent on future cash flows, there is a risk that the assets will be further impaired if these cash flows do not meet the Group's expectations. The impairment reviews performed by the Group contained a number of significant judgements and estimates including revenue growth, the success of new product launches, profit margins, cash conversion, terminal values and discount rate. In particular the assumptions made in respect of its version of generic Advair Diskus® are particularly sensitive. Changes in these assumptions could lead to further impairment to the carrying value of intangible assets and goodwill. We focused on intangible assets in the Westward Columbus Cash Generating Unit which were largely acquired from Boehringer Ingelheim in February 2016 given the events detailed above. *Refer to Notes 3 and 14 in the Group financial statements and the audit committee review of areas of significant judgement pages 78 and 79.*	With support from our valuations specialists, we obtained the Group's impairment analyses and tested the integrity of the calculations, reasonableness of key assumptions, including product profit and cash flow growth or decline, terminal values and discount rates. We challenged management to substantiate its assumptions, including comparing relevant assumptions to industry forecasts. We assessed the determination of the CGUs identified for the impairment calculation by considering the CGU's previously used as well as from our understanding of the business and how it is monitored. In particular, given the key sensitivity around future cash flows we performed the following procedures, with significant involvement from senior engagement team members: — corroborated the information to board approved budgets and forecasts; — understood management's process for forecasting cash flows, which is underpinned by a model that encompasses a product by product analysis, and we challenged management's market and pricing assumptions by comparing them to historical and third party market data. We also utilised our valuations specialists to identify any anomalies or trends that warranted further investigation and corroboration; — in respect of costs and resulting profit margins in management's model, we challenged management on forecasted trends and assumed cost savings in the context of the Group's plans for ongoing product development, maintenance of its manufacturing facilities via capital expenditure and other investment and plans for organic growth; — undertook look back testing to understand how accurate management had been in its previous forecasting; — took into account that historically the Group has faced challenges in respect of reliably forecasting cash flows and challenged the rate used to discount the cash flows to appropriately assess the supportability of the forecast, as well as management's process for building up a forecast through detailed testing of revenue, cost, margin and other inputs, including performing sensitivity analyses on these assumptions to understand the resulting impact on the impairment charge; — in respect of generic Advair Diskus®, we obtained and reviewed correspondence from the FDA, engaged in discussions with management to understand how its key assumptions around expected launch date and anticipated market share impacted forecast cash flows and examined external data to corroborate management's views; — for impairment charged against the Group's In Process Research & Development ('IPRD') in 2017 we corroborated products included in the valuation model to minutes from the Product Review Committee meetings, where decisions on pipeline and IPRD opportunities are made; — considered analysts' reports and other market information over expected future market shares and pricing; and — recalculated the weighted average cost of capital and considered if the amount was within a reasonable range. We also obtained management's sensitivity analyses which showed the impact of reasonably possible changes to key assumptions. We considered whether these were the key sensitivities and compared the output to a reasonable range based on the evidence available. We validated the appropriateness of the related disclosures in Note 14 of the financial statements. We considered the presentation of the impairment charge as an exceptional charge in 2017 in the context of the nature and magnitude of the charge itself, giving consideration to the Group's policy for exceptional items. We reviewed the Annual Report to form a view on whether the disclosures contained therein are fair, balanced and understandable. Based on our procedures we consider management's key assumptions to be within a reasonable range and the overall impairment charge, whilst judgemental, to also lie within an acceptable range. For those intangible assets including goodwill where management determined that no impairment was required, we found that these judgements were supported by reasonable assumptions.

Revenue recognition

Key audit matter	How our audit addressed the key audit matter
Management is required to make certain judgements in respect of revenue recognition and the level of chargebacks, returns and other revenue deductions that will be realised against the Group's revenue. These estimates are material to the financial statements and involve judgement, hence the reason for inclusion as an area of focus. The largest of these judgements relates to revenue recognition, chargebacks, rebates and returns in the US for which the Group recorded revenue deductions for the year ended 31 December 2017 of $1,933 million (2016: $1,822 million). We focused on this area as rebates, discounts, allowances and returns arrangements and the deductions from gross revenue are complex and because establishing an appropriate accrual requires significant estimation by the directors. This judgement is complex in a US healthcare environment in which competitive pricing pressure and product discounting are trends. The directors have determined an accrual of $388 million to be necessary at 31 December 2017 (2016: $397 million). *Refer to the audit committee review of areas of significant judgement pages 78 and 79, significant accounting policies Note 2, trade and other receivables Note 20 and other current liabilities Note 27.*	We considered the Group's processes for making judgements in this area and performed the following procedures: — We assessed applicable controls in place around this process, tested the nature of the pricing arrangements and the accuracy of calculations and agreed the rates in customer agreements with those used in management's calculations of the required reserves and deductions. — We obtained management's calculations for accruals under applicable schemes and validated the assumptions used by reference to the Group's stated commercial policies, the terms of the applicable contracts and historical levels of product returns. — We compared the assumptions to contracted prices, historical rebates, discounts, allowances and returns levels (where relevant) and to current payment trends. We also considered the historical accuracy of the Group's estimates in previous years and the impact of competitive pricing pressures and greater discounting in the US market more generally. We formed an independent expectation of the largest elements of the reserve at 31 December 2017 using third party data and compared this expectation to the actual accrual recognised by the Group. Based on the procedures performed, we did not identify any material differences between our independent expectations and the accrual recorded.

Taxation

Key audit matter	How our audit addressed the key audit matter
The Group operates across a large number of jurisdictions due to its geographic spread, resulting in complex cross-border tax arrangements. As a result, it is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business including transaction related tax matters and transfer pricing arrangements. In addition and following the Group's acquisition of West-Ward Columbus in 2016, the Group undertook legal entity rationalisation and restructuring in 2017 in support of maintaining the operational structure which had several complex tax consequences. Judgement is required in assessing the level of provisions required in respect of uncertain tax positions. At 31 December 2017, the Group has recorded provisions of $63 million in respect of uncertain tax positions (2016: $64 million). There have also been a number of changes in tax law in the US and elsewhere that have resulted in a material impact on the Group's current and deferred tax balances at 31 December 2017. The most significant of these has been as a result of the Tax Cuts and Jobs Act being substantively enacted before year-end. In aggregate, the total adjusting item to account for the impact amounts to $49 million in the tax line. The changes include a reduction in the corporate tax rate that should be applied to deferred taxation balances and changes to the foreign taxation credits regime. Some of these changes are complex and there are a number of areas of uncertainty relating both to the manner in which the law will apply and how to account for these matters. Therefore we have focused on this area in our 2017 audit. *Refer to Notes 11 and 17 in the Group financial statements.*	In conjunction with our UK, US, international tax and transfer pricing specialists, we evaluated and challenged management's judgements in respect of the ongoing taxation impacts of the 2016 West-Ward Columbus acquisition, estimates of tax exposures and contingencies in order to assess the adequacy of the Group's tax provisions, estimates involved in the measurement of uncertain tax provisions and judgements taken in the measurement of deferred tax assets. We assessed the application of International Accounting Standard 12 – *Income Taxes* in determining the tax base of the deferred tax assets, and assessed recoverability of assets against forecast taxable income. Where this has involved judgements, we challenged the judgements made by management and evaluated these in the context of the evidence available including examining correspondence with tax authorities. In understanding and evaluating management's judgement relating to the level of provisioning for uncertain tax positions, we considered the status of ongoing tax authority audits, the outcome of previous tax authority audits, and developments in the tax environment. We considered management's disclosures in this regard and we agreed with management's view that a material change to the Group's estimates of tax exposures is not expected within the next 12 months. For the tax effects as a result of the US tax reform we have discussed the key judgements made in assessing these implications with management and we agree that these are appropriate. We have also verified the mathematical accuracy of the current and deferred tax calculated on the revised basis. Based on this we believe that management's position is appropriate. However, as there remains significant complexity in the new law and a number of areas of uncertainty relating both to the manner in which the law will apply and to the accounting in certain areas, we expect that there will be true-ups and updates to the estimates as further guidance is issued. We consider that the level of uncertain tax provisioning and disclosure is acceptable in the context of the Group's financial statements.

Carrying value of investments in subsidiaries (Company only)

Key audit matter	How our audit addressed the key audit matter
The Company holds investments in subsidiaries of $3,323 million at 31 December 2017 (2016: $3,179 million). Investments in subsidiaries are accounted for at cost less impairment in the Company balance sheet at 31 December 2017. Investments are assessed for impairment annually or earlier if impairment indicators exist. If such indicators exist, the recoverable amounts of the investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the income statement. Management judgement is required in the area of impairment testing, particularly in determining whether any impairment triggers have arisen that necessitate carrying out an impairment review to assess whether the carrying value of an asset can be supported by the recoverable amount which is determined by reference to the Group's market capitalisation and in the context of the net assets underpinning the Company's investment in subsidiaries. *Refer to Note 47 in the parent company financial statements.*	We evaluated management's assumption whether any indicators of impairment existed by comparing the net assets of the subsidiaries at 31 December 2017 with the Company's investment carrying values. For those investments where the subsidiaries' net assets were lower than the carrying values, we considered their recoverable value by reference to the Group's market capitalisation at 31 December 2017 and the valuations implied by other models and for goodwill impairment review purposes, all of which were subject to audit procedures as part of our Group audit. Within the Company accounts we have performed procedures to ensure the cost of investment balance of $3,323 million is supported. These procedures have included auditing the assets and considering actual and expected performance of the businesses underpinning each of the investments. As a result of our work, we agreed with management that the carrying values of the investments held by the Company are supportable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Procedures were performed prior to year-end to evaluate component procedures and controls, and visits were undertaken by senior team members to component locations, to refine the audit approach and ensure sufficient oversight of component auditors.

As at 31 December 2017, Hikma Pharmaceuticals plc had in total 66 entities (subsidiaries and associates) as part of the Group. These entities may operate solely in one segment but more commonly operate across two. Each territory ('component') submits a Group reporting package to Hikma's central accounting team including its income and financial position prepared under Group accounting policies which are in compliance with IFRSs. We requested component teams in the US (West-Ward Pharmaceuticals and West-Ward Columbus), Jordan (Hikma Pharmaceuticals), Saudi Arabia (Hikma Al Jazeera Pharmaceuticals Industries), Algeria (Hikma Pharma Algeria) and Portugal (Hikma Farmaceutica) to audit reporting packages of certain entities in these territories and report the results of their full scope audit work to us. This work was supplemented by procedures over specific balances performed on West-Ward Pharmaceuticals International Limited (WWPIL) and procedures performed centrally including the consolidation, taxation and certain component balances not covered by local component teams.

The involvement of the Group audit team in the work of the component auditors included conference calls, meetings with local management, review of working papers, attendance at audit clearance meetings, and other forms of communication as considered necessary depending on the significance of the component and the extent of accounting and audit issues arising. Senior members of the Group audit team also visited the US, Algeria and Jordan.

Taken together our audit work accounted for 83% of consolidated revenue, 86% of the adjusted profit measure we use as a basis for determining materiality and 73% of consolidated profit before tax.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	$14,000,000 (2016: $13,275,000)	$10,000,000 (2016: $13,275,000)
How we determined it	5% of profit before tax after adding back certain non-recurring items such as impairment charges, indemnity income relating to the Group's 2016 acquisition activity, severance and other expenses resulting from the planned restructuring of the Eatontown, New Jersey manufacturing facility and the impact of US tax reform.	1% of total assets. This was capped at $10,000,000 (2016: $13,275,000), but calculated based on 1% of total assets. For the purposes of the Group audit, we applied a lower materiality to Company balances and transactions, other than those which were eliminated on consolidation in the Group financial statements.
Rationale for benchmark applied	The Group's principal measure of earnings is core profit. Management believes that it reflects the underlying performance of the Group and is a more meaningful measure of the Group's performance. We took this measure into account in determining our materiality but did not add back certain non-core items unless we deemed them to be non-recurring in nature. Our materiality would have been higher if we had adjusted for all non-core items.	There is no income statement presented for the parent Company, as the entity takes the Companies Act 2006 s408 exemption, and therefore users of the financial statements are not relying on this figure to make economic decisions. The Company holds the Group's investments and performs treasury functions on behalf of the Group. Therefore, the entity is not in itself profit-oriented. The strength of the balance sheet is the key measure of financial health that is important to shareholders since the primary concern for the parent Company is the payment of dividends and servicing of debt.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $1 million and $10 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $500,000 (Group and Company audits) (2016: $500,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern
In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement
In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on page 74) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information.

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on page 74) with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR.

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 61 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 65 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 111, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 78 to 81 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement set out on page 111, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 11 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ended 31 December 2016 to 31 December 2017.

Mark Gill
Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

13 March 2018

Consolidated income statement

For the year ended 31 December 2017

	Note	2017 Core results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Revenue	4	**1,936**	**–**	**1,936**	1,950	–	1,950
Cost of sales	4	**(963)**	**(6)**	**(969)**	(932)	(32)	(964)
Gross profit	4	**973**	**(6)**	**967**	1,018	(32)	986
Sales and marketing expenses		**(188)**	**(48)**	**(236)**	(184)	(37)	(221)
General and administrative expenses		**(238)**	**(1)**	**(239)**	(208)	(36)	(244)
Research and development expenses		**(115)**	**(6)**	**(121)**	(126)	(24)	(150)
Other operating expenses (net)	8	**(46)**	**(1,072)**	**(1,118)**	(81)	12	(69)
Total operating expenses		**(587)**	**(1,127)**	**(1,714)**	(599)	(85)	(684)
Operating profit/(loss)	4	**386**	**(1,133)**	**(747)**	419	(117)	302
Finance income	9	**2**	**93**	**95**	3	9	12
Finance expense	10	**(60)**	**(26)**	**(86)**	(63)	(41)	(104)
Profit/(loss) before tax		**328**	**(1,066)**	**(738)**	359	(149)	210
Tax	11	**(72)**	**(29)**	**(101)**	(80)	28	(52)
Profit/(loss) for the year	6	**256**	**(1,095)**	**(839)**	279	(121)	158
Attributable to:							
Non-controlling interests	34	**4**	**–**	**4**	3	–	3
Equity holders of the parent		**252**	**(1,095)**	**(843)**	276	(121)	155
		256	**(1,095)**	**(839)**	279	(121)	158
Earnings/(loss) per share (cents)							
Basic	13	**105.0**		**(351.3)**	118.5		66.5
Diluted	13	**104.6**		**(349.8)**	117.9		66.2

Consolidated statement of comprehensive income

For the year ended 31 December 2017

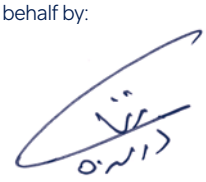
	Note	2017 Core Results $m	2017 Exceptional Items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core results $m	2016 Exceptional Items and other adjustments (Note 5) $m	2016 Reported results $m
Profit/(loss) for the year		**256**	**(1,095)**	**(839)**	**279**	**(121)**	**158**
Other Comprehensive Income/(loss)							
Items that may be reclassified subsequently to the income statement, net of tax:							
Effect of change in investment designated at fair value	23	**2**	**–**	**2**	1	–	1
Exchange difference on translation of foreign operations		**20**	**–**	**20**	(90)	–	(90)
Total comprehensive income/(loss) for the year		**278**	**(1,095)**	**(817)**	**190**	**(121)**	**69**
Attributable to:							
Non-controlling interests	34	**3**	**–**	**3**	–	–	–
Equity holders of the parent		**275**	**(1,095)**	**(820)**	**190**	**(121)**	**69**
		278	**(1,095)**	**(817)**	**190**	**(121)**	**69**

Consolidated balance sheet

At 31 December 2017

	Note	2017 $m	2016 $m
Non-current assets			
Goodwill	14	**282**	682
Other intangible assets	14	**503**	1,037
Property, plant and equipment	15	**828**	969
Investment in associates and joint ventures	16	**6**	7
Deferred tax assets	17	**135**	172
Financial and other non-current assets	18	**60**	48
		1,814	2,915
Current assets			
Inventories	19	**488**	459
Income tax receivable		**53**	2
Trade and other receivables	20	**707**	759
Collateralised and restricted cash	21	**4**	7
Cash and cash equivalents	22	**227**	155
Other current assets	23	**95**	66
		1,574	1,448
Total assets		**3,388**	4,363
Current liabilities			
Bank overdrafts and loans	24	**86**	117
Trade and other payables	25	**365**	343
Income tax provision		**82**	112
Other provisions	26	**26**	27
Other current liabilities	27	**238**	319
		797	918
Net current assets		**777**	530
Non-current liabilities			
Long-term financial debts	28	**670**	721
Obligations under finance leases	29	**20**	21
Deferred tax liabilities	17	**49**	15
Other non-current liabilities	32	**324**	277
		1,063	1,034
Total liabilities		**1,860**	1,952
Net assets		**1,528**	2,411
Equity			
Share capital	33	**40**	40
Share premium		**282**	282
Own shares	35	**(1)**	(1)
Other reserves		**1,193**	2,075
Equity attributable to equity holders of the parent		**1,514**	2,396
Non-controlling interests	34	**14**	15
Total equity		**1,528**	2,411

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, on pages 122 to 171 were approved by the Board of Directors on 13 March 2018 and signed on its behalf by:



Said Darwazah
Director
13 March 2018

Mazen Darwazah
Director

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Merger and Revaluation reserves $m	Translation reserves $m	Retained earnings $m	Total reserves $m	Share capital $m	Share premium $m	Own shares $m	Equity attributable to equity shareholders of the parent $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2016	38	(161)	1,144	1,021	35	282	(1)	1,337	15	1,352
Profit for the year	–	–	155	155	–	–	–	155	3	158
Effect of change in investment designated at fair value (Note 23)	–	–	1	1	–	–	–	1	–	1
Currency translation loss	–	(87)	–	(87)	–	–	–	(87)	(3)	(90)
Total comprehensive income/(loss) for the year	–	(87)	156	69	–	–	–	69	–	69
Total transactions with owners, recognised directly in equity										
Issue of equity shares for acquisition of a subsidiary	1,039	–	–	1,039	5	–	–	1,044	–	1,044
Cost of equity-settled employee share scheme (Note 38)	–	–	22	22	–	–	–	22	–	22
Deferred tax arising on share-based payments	–	–	1	1	–	–	–	1	–	1
Dividends on ordinary shares (Note 12)	–	–	(77)	(77)	–	–	–	(77)	(1)	(78)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	1	1
Balance at 31 December 2016 and 1 January 2017	1,077	(248)	1,246	2,075	40	282	(1)	2,396	15	2,411
Loss for the year**	(1,039)	–	196	(843)	–	–	–	(843)	4	(839)
Effect of change in investment designated at fair value (Note 23)	–	–	1	1	–	–	–	1	–	1
Currency translation gain/(loss)	–	21	–	21	–	–	–	21	(1)	20
Total comprehensive (loss)/income for the year	(1,039)	21	197	(821)	–	–	–	(821)	3	(818)
Total transactions with owners, recognised directly in equity										
Cost of equity-settled employee share scheme (Note 38)	–	–	22	22	–	–	–	22	–	22
Dividends on ordinary shares (Note 12)	–	–	(79)	(79)	–	–	–	(79)	(2)	(81)
Adjustment arising from change in non-controlling interests*	–	–	(4)	(4)	–	–	–	(4)	(2)	(6)
Balance at 31 December 2017	**38**	**(227)**	**1,382**	**1,193**	**40**	**282**	**(1)**	**1,514**	**14**	**1,528**

* During the year the Group acquired the remaining stake in Ibn Al Baytar bringing the total ownership to 100%. This was completed in April 2017.

** A loss of $1,039 million has been allocated from retained earnings to the merger and revaluation reserves in relation to West-Ward Columbus impairment (Notes 5, 14 and 15).

Consolidated cash flow statement

For the year ended 31 December 2017

	Note	2017 $m	2016 $m
Cash generated from operating activities	36	**546**	369
Income tax paid		**(103)**	(76)
Net cash generated from operating activities		**443**	293
Investing activities			
Purchases of property, plant and equipment		**(107)**	(122)
Proceeds from disposal of property, plant and equipment		**4**	1
Purchase of intangible assets		**(44)**	(68)
Proceeds from disposal of intangible assets		**–**	24
Cash received from investment in joint ventures		**2**	–
Investment in financial and other non-current assets		**(2)**	(11)
Investment in available for sale investments		**(8)**	(6)
Acquisition of business undertakings net of cash acquired*		**3**	(515)
Finance income		**1**	2
Net cash used in investing activities		**(151)**	(695)
Financing activities			
Increase/(decrease) in collateralised and restricted cash		**3**	(4)
Proceeds from issue of long-term financial debts		**349**	471
Repayment of long-term financial debts		**(401)**	(326)
Proceeds from short-term borrowings		**323**	345
Repayment of short-term borrowings		**(349)**	(337)
Dividends paid		**(79)**	(77)
Dividends paid to non-controlling shareholders of subsidiaries		**(2)**	(1)
Interest paid		**(57)**	(54)
Purchase of non-controlling interest in subsidiary		**(6)**	–
(Payment)/proceeds from co-development and earnout payment agreement, net		**(1)**	2
Net cash (used in)/generated by financing activities		**(220)**	19
Net increase/(decrease) in cash and cash equivalents		**72**	(383)
Cash and cash equivalents at beginning of year		**155**	553
Foreign exchange translation movements		**–**	(15)
Cash and cash equivalents at end of year		**227**	155

* During the year, the Group received a $3 million payment from Boehringer Ingelheim in respect of the price adjustment receivable to the West-Ward Columbus acquisition.

Notes to the consolidated financial statements

1. Adoption of new and revised standards

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IAS 7 (Amendments)	Statement of cash flows on disclosure initiative

The following Standards and Interpretations have not been applied in these financial statements because while in issue, are not yet effective (and in some cases have not yet been adopted by the EU):

IFRS 9	Financial instruments
IAS 12 (Amendments)	Income taxes on Recognition of deferred tax assets for unrealised losses
IFRS 15	Revenue from contracts with customers
IFRS 15 (Amendments)	Revenue from contracts with customers
IFRS 40 (Amendments)	Investment property
IFRS 4 (Amendments)	Insurance contracts
IFRS 16	Leases
IFRS 2 (Amendments)	Share based payment
IFRIC 22	Foreign currency transactions and advance considerations
IFRIC 23	Uncertainty over income tax treatments
IFRS 17	Insurance contracts
Annual improvements 2014-2016	
Annual improvements 2015-2017	

IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The new version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; but providing comparative information is not mandatory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the effective date and will not restate comparative information.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity upon applying the classification and measurement requirements of IFRS 9.

Loans as well as trade receivables are generally held to collect contractual cash flows and are expected to give rise to cash flows solely representing payments of principal and interest. The Group believes that the contractual cash flow characteristics of those instruments meet the criteria for amortised cost measurement under IFRS 9 and any reclassification of these instruments is estimated to be minimal.

(b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables and will not restate comparative information. During 2017, the Group has performed an impact assessment of IFRS 9 to estimate the additional provision to be recorded resulting from the expected credit loss from its trade receivables and anticipated no significant change in level of impairment recognised compared to that based on current procedures.

IFRS 15 Revenue from contracts with customers

The IASB issued IFRS 15 Revenue from contracts with customers ('IFRS 15') in May 2014. Subsequent amendments, 'Clarifications to IFRS 15,' were issued in April 2016. Both of these have now been endorsed by the EU. The new amended standard replaces IAS 18 Revenue, IAS 11 Construction Contracts and other existing revenue interpretations.

IFRS 15 sets out new requirements for recognising revenue and costs from contracts with customers. In particular, it outlines new principles for an entity to follow in determining the measurement and recognition of revenue using a five-step model. This model requires revenue to be recognised when or as goods or services are transferred to customers based on the consideration to which the entity expects to be entitled.

The new standard is required to be applied by the Group from 1 January 2018 and hence IFRS 15 will be adopted in the financial statements for the year ending 31 December 2018.

While our assessment remains ongoing, from work performed to date, which has included a detailed review of some of our largest customer contracts:

- as the majority of the Group's revenues are derived from the supply of goods, (i.e. a single performance obligation), the transition to IFRS 15 is not anticipated to have a significant impact on the Group's revenue recognition (including the approach applied under IAS 18 for estimating chargebacks, returns, rebates and price adjustments) and
- it is currently anticipated that the standard will be adopted on a modified retrospective basis

It is, though, noted that the Group's current accounting policy to defer revenue recognition in isolated circumstances where dynamic market circumstances mean that the ultimate net selling price cannot be reliably measured (as currently applied under IAS 18), will need to be revised. IFRS 15 requires variable consideration to be included in the transaction price (albeit only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur). As the Group has rarely deferred revenue under IAS 18 on the basis of being unable to reliably measure the ultimate net selling price, this change in the Group's stated accounting policy is not anticipated to give rise to a significant difference.

2. Significant accounting policies

General Information

Hikma Pharmaceuticals PLC is a public limited liability company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 181.

Basis of preparation

Hikma Pharmaceuticals PLC's consolidated financial statements are prepared in accordance with:

(i) EU endorsed International Financial Reporting Standards ('IFRS') and interpretations of the International Financial Reporting Standards Interpretations Committee and those parts of the Companies Act 2006 as applicable to companies using IFRS.

(ii) International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared under the historical cost convention, except for the revaluation to fair value of certain financial assets and liabilities.

The accounting policies included in this note have been applied consistently other than where new policies have been adopted.

The Group's previously published financial statements were also prepared in accordance with IFRSs issued by the IASB and also in accordance with IFRSs adopted for use in the European Union.

The presentational and functional currency of Hikma Pharmaceuticals PLC is the US dollar as the majority of the Company's business is conducted in US dollars.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence and therefore considered the going concern basis as appropriate. Therefore, they continue to adopt the going concern basis of accounting in preparing the financial statements (see page 65).

Basis of consolidation

The consolidated financial statements incorporate the results of Hikma Pharmaceuticals PLC (the 'Company') and entities controlled by the Company (together the 'Group').

The consolidated financial statements include:

- the assets and liabilities, results and cash flows of the Company and its subsidiaries, (entities that are controlled by the Group, through the power of governing the financial and operating policies to obtain benefits from its activities)
- the Group's share of the results and net assets of associates and joint ventures

The financial statements of entities consolidated are made up to 31 December each year.

Interests acquired in entities are consolidated from the date the Group acquires control and interests sold are de-consolidated from the date control ceases.

Goodwill is capitalised as a separate item in the case of subsidiaries and as part of the cost of investment in the case of joint ventures and associates.

Transactions and balances between subsidiaries are eliminated and no profit before tax is taken on sales between subsidiaries until the products are sold to customers outside the Group.

Transactions with non-controlling interests are recorded directly in equity.

Deferred tax relief on unrealised intra-Group profit is accounted for only to the extent that it is considered recoverable.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. All identifiable assets, liabilities and contingent liabilities acquired are measured at fair value on the acquisition date. All acquisition related costs are recognised in the consolidated income statement as incurred.

The consideration is measured at the aggregate fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, at the acquisition date. Where applicable, this consideration may include the fair value of assets or liabilities resulting from a contingent consideration arrangement.

Subsequent changes to those fair values can only affect the measurement of goodwill, where they occur during the 'measurement period' and are as a result of additional information becoming available about facts and circumstances that existed at the acquisition date. All other changes are dealt with in accordance with relevant IFRSs. This will usually mean that changes in the fair value of consideration are recognised in the consolidated income statement.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control). The resulting gain or loss, if any, is recognised in the consolidated income statement.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the aggregate of consideration, non-controlling interest and fair value of previously held equity interest over the fair values of the identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the consideration, the excess is recognised immediately in the consolidated income statement.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

2. Significant accounting policies continued

Investment in associates and joint ventures

An associate is an entity which the Group has significant influence over, where the Group has the power to participate in the financial and operating policy decisions of the investee revenue.

Joint Ventures are entities that the Group has the ability to exercise joint control over their economic activities and net assets.

The results and assets and liabilities of associates and joint ventures are incorporated in these financial statements using the equity method of accounting, where the investments are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any impairment charges are recognised immediately in the consolidated income statement.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Foreign currencies

Foreign currency transactions, being transactions denominated in a currency other than an individual Group entity's functional currency, are translated into the relevant functional currencies of individual Group entities at average rates for the relevant monthly accounting periods, which approximate to actual rates. Monetary assets and liabilities arising from foreign currency transactions are retranslated at exchange rates prevailing at the reporting date. Exchange gains and losses on loans and on short-term foreign currency borrowings and deposits are included within finance income and expense. Exchange differences on all other foreign currency transactions are recognised in operating profit in the individual Group entity's accounting records. Non-monetary items arising from foreign currency transactions are not retranslated in the individual Group entity's accounting records. In the Consolidated Financial Statements, income and expense items for Group entities with a functional currency other than US dollars are translated into US dollars at average exchange rates, which approximate to actual rates, for the relevant accounting periods. Assets and liabilities are translated at the US dollar exchange rates prevailing at the reporting date. Exchange differences arising on consolidation are recognised in the consolidated statement of other comprehensive income.

Hyperinflationary economies

In hyperinflationary economies, when translating the results of operations into US dollars, assets, liabilities, income statement and equity accounts are translated at the rates prevailing on the balance sheet date. Sudan was considered as a hyperinflationary economy in the year ended 31 December 2016. As of 31 December 2017, Sudan is no longer considered as a hyperinflationary economy and had no material impact in 2017, however, it will be kept under review in 2018 for hyperinflation. The effect of inflation accounting in Sudan for the year ended 31 December 2016 was not material.

Revenue recognition

Revenue is recognised in the consolidated income statement when goods or services are supplied or made available to external customers against orders received and when risk of loss and rewards have passed.

Revenue represents the amounts receivable after the deduction of discounts, value added tax, other sales taxes, allowances given, provisions for chargebacks and accruals for estimated future rebates and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and historical information.

Dynamic market changes can generate uncertainty as to the ultimate net selling price of a pharmaceutical product and therefore revenue cannot always be measured reliably at the point when the product is supplied or made available to external customers.

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

Chargebacks

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

Returns

The Group has a product return policy that allows customers to return the product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognised as a reduction of revenue in the period in which the underlying sales are recognised.

The Group estimates its provision for returns based on historical experience, representing management's best estimate. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Group continually monitors the provisions for returns and makes adjustments when it believes that actual product returns may differ from established reserves.

Rebates

In certain countries, rebates are granted to healthcare authorities and under contractual arrangements with certain customers. Products sold in the United States are covered by various programmes (such as Medicaid) under which products are sold at a discount.

2. Significant accounting policies continued

The Group estimates its provision for rebates based on current contractual terms and conditions as well as historical experience, changes to business practices and credit terms. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future rebate liabilities. The Group continually monitors the provisions for rebates and makes adjustments when it believes that actual rebates may differ from established reserves. All rebates are recognised in the period in which the underlying sales are recognised as a reduction of revenue.

Price adjustments

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

Free goods

Free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as compensation for expired or returned goods. Free goods are recognised at cost at the date at which one of the above conditions is met. The costs associated with free goods are classified as cost of sales.

Share-based payments

At the Company's discretion and subject to the achievement of group and personal performance criteria, employees (including executive directors) of the Group receive performance remuneration in the form of share-based payments, whereby employees render their services in exchange for shares or rights over shares ('equity-settled transactions') under either the 2014 Executive Incentive Plan ('EIP') or the 2009 Management Incentive Plan ('MIP') and the 2007 Long-Term Incentive Plan ('LTIP') noting that the last grant was issued in 2014.

IFRS 2 'Share-Based Payments' requires an expense to be recognised when the Group buys goods or services in exchange for shares or rights over shares ('share-based payments') or in exchange for other equivalent assets.

The cost of share-based payments' transactions with employees is measured by reference to the fair value at the date at which the share-based payments are granted. The fair value of the EIP and MIP are determined based on the share price as at the date of grant discounted by dividend yield.

The expected life used in the models applied to fair value the EIPs and MIPs have 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 38). In valuing share-based payments, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of Hikma Pharmaceuticals PLC.

The cost of share-based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the vesting period based on the Group's estimate of equity instruments that will eventually vest. The Group revises its estimate of the number of equity instruments expected to vest and the impact of the revision of the original estimates, if any, is recognised in the consolidated income statement, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. Where the terms of share-based payments award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the modification date. Where a share-based payments award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for a cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described above. The dilutive effect of outstanding share-based payments is reflected as additional share dilution in the computation of diluted earnings per share.

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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Dividend income

Income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing

Leases are classified as finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the operating lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a capital lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

2. Significant accounting policies continued

A new standard for leasing, IFRS 16, will come into effect on 1 January 2019. We will adopt this new standard from that date. Our assessment of the impact this will have on our business is ongoing and we will provide further updates in future reporting periods.

Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to the consolidated income statement over the expected useful lives of the assets concerned.

Tax

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

The tax expense represents the sum of the current tax in the current period and deferred tax.

The current tax incurred in the period is based on taxable profit for the year and prior year movement accounted for in the current year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's tax incurred 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 reverse. To the extent the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, no deferred tax is provided.

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.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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 booked on unrealised inter-company profits on inventory sales, to the extent they are expected to unwind, at the rate applicable to the distribution company. Where there is a significant difference between the tax rates of the relevant companies, this creates deferred tax that can materially impact the Group's effective tax rate. In 2017, this had a 0.9% unfavourable impact on the effective tax rate (2016: 6.7% favourable).

Exceptional items and other adjustments

We use a number of non-IFRS measures to report and monitor the performance of our business. Management uses these adjusted numbers internally to measure our progress and for setting performance targets. We also present these numbers, alongside our reported results, to external audiences to help them understand the underlying performance of our business. Our adjusted numbers may be calculated differently to other companies.

Adjusted measures are not substitutable for IFRS numbers and should not be considered superior to results presented in accordance with IFRS.

Core results

Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items that mask the underlying performance of the Group. To provide a more complete picture of the Group's performance to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. Reconciliation between core and reported results are provided in our Financial Statements.

Our core results exclude the exceptional items and other adjustments set out in Note 5 in the notes to the financial statements.

Exceptional items

Exceptional items represent adjustments for costs and profits which management believes to be exceptional in nature by virtue of their size or incidence, or have a distortive effect on current year earnings. Such items include costs associated with business combinations, one-off gains and losses on disposal of business assets, reorganisation costs, write-down and impairment charges on assets and impairment of goodwill, net of any tax impact.

Other adjustments

These include amortisation of intangibles excluding software and finance cost resulted from remeasurement of contingent consideration, financial liability and asset, net of any tax impact.

Both exceptional items and other adjustments are excluded from core results to improve comparability and consistency of our financial statements which is consistent with our fellow companies. We represent and discuss our Group and segmental financials reconciled between reported and core results. This presentation allows for full visibility and transparency of our financials so that shareholders are able to clearly assess the performance factors of the Group.

2. Significant accounting policies continued

The basis of determining exceptional items did not change from prior year.

Intangible assets

An intangible asset is recognised if:

- it is identifiable
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and
- the cost of the asset can be measured reliably

The probability of expected future economic benefits is assessed using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Judgment is used to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

Expenditures on research and development activities are charged to the consolidated income statement, except only when the criteria for recognising an internally generated intangible asset is met, which is usually when approval from the relevant regulatory authority is considered probable.

Also, the Group engages with third party research and development companies to develop products on its behalf. Substantial payments made to such third parties to fund research and development efforts are recognised as intangible assets if the capitalisation criteria for recognising an intangible asset is met, which typically is when licence fees and milestone payments are made, all other payments are charged to the consolidated income statement.

Principal intangible assets are:

(a) Goodwill: arising in a business combination and is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the consolidated income statement on disposal.

(b) Customer relationships: represent the value attributed to the long-term relationships held with existing customers at the date of acquisition and are amortised over their useful economic life.

(c) Product related intangibles:

(i) Product files and under-licensed products recognised through acquisitions, and from development activities are amortised over their useful economic lives once the asset is ready for use.

(ii) In process product files recognised on acquisition are amortised over the useful economic life once the asset is ready for use.

(d) Trade names: are amortised over their useful lives from the date of acquisition.

(e) Marketing rights: are amortised over their useful lives commencing in the year in which the rights first generate sales.

(f) Purchased software: is amortised over the useful economic life when the asset is ready for use.

Property, plant and equipment

Property, plant and equipment have been stated at cost on acquisition and are depreciated on a straight-line basis except for land at the following depreciation rates:

Buildings	2% to 4%
Machinery and equipment	5% to 33%
Vehicles, fixtures and equipment	6% to 33%

A units of production method of depreciation is applied to operations in their start-up phase, as this reflects the expected pattern of consumption of the future economic benefits embodied in the assets. When these assets are fully utilised, a straight-line method of depreciation is applied.

Projects under construction are not depreciated until construction has been completed and assets are considered ready for use.

Any additional costs that extend the useful life of property, plant and equipment are capitalised.

Property, plant and equipment which are financed by leases giving Hikma Pharmaceuticals PLC substantially all the risks and rewards of ownership are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments at the inception of the lease, and depreciated in the same manner as other property, plant and equipment over the shorter of the lease term 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 consolidated income statement. Projects under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

2. Significant accounting policies continued

Impairment of property, plant and equipment and intangible assets

At the same time each year the Group carries out an impairment review for goodwill and intangible assets that are not yet ready for use. At the year end, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets that are subject for depreciation and amortisation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). In consideration of the impairment review, the Group compares the carrying value of the asset to its recoverable amount.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

When an impairment loss for the asset, other than goodwill, subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount. However, the increased carrying amount should not exceed the carrying amount that would have been determined had there been no impairment (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

The Group's Goodwill and intangible assets are tested as follows;

(a) Goodwill is allocated to each of the Group's cash-generating units. These cash-generating units are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The assumptions used in the impairment tests are set out in Note 14.

(b) Intangible assets that are not yet ready for use are not subject to amortisation, and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Inventories

Inventories are stated at the lower of cost and net realisable value. Purchased products are stated at acquisition cost including all additional attributable costs incurred in bringing each product to its present location and condition. The costs of own-manufactured products comprise of direct materials and, where applicable, direct labour costs and any overheads that have been incurred in bringing the inventories to their present location and condition.

In the balance sheet, inventory is primarily valued at standard cost, which approximates to historical cost determined on a moving average basis, and this value is used to determine the cost of sales in the consolidated income statement. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs necessary to make the sale. Inventory related provisions are made for net realisable value lower than cost, slow moving and short dated inventory.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The current accounting policy falls under IAS 39, while starting 1 January 2018, IFRS 9 will be implemented, replacing the current standard.

Financial Assets within the Group are:

(i) Available for sale ('AFS') financial assets

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in the other comprehensive income, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in the consolidated income statement. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment's revaluation reserve is reclassified to the consolidated income statement. The Group's investments in unlisted shares that are not traded in an active market and the fair value of which cannot be reliably measured are stated at cost, less a provision for any impairment loss. If there is objective evidence that an impairment loss has been incurred on unlisted shares that is stated at cost, the amount of impairment is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, which is taken to the consolidated income statement.

(ii) Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. These receivables include the reimbursements of certain contingent payments in respect to milestones loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. Significant accounting policies continued

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as 'at FVTPL'.

Financial liabilities
Financial liabilities are classified in two categories: financial liabilities 'at FVTPL' or 'other financial liabilities'. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

(i) Financial liabilities 'at FVTPL'
The Group currently has two financial liabilities at FVTPL as below:

- co-development and earn out payment agreements with third parties where the Group earns milestone payments reflecting the achievement of R&D and commercialisation milestones. Those payments are recognised as financial liabilities once received
- contingent consideration arising from West-Ward Columbus acquisition represent contractual liabilities to make payments to third parties in the form of milestone payments that are dependent on the achievement of certain US FDA approval milestones; and royalty payments based on future sales of certain products that are currently under development

Financial liabilities are revalued at the end of each reporting period to represent the value of expected future cash outflows and the difference is presented as finance cost/income. These financial liabilities are currently booked under other non-current liabilities and other current liabilities in the consolidated balance sheet.

(ii) Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derivative financial instruments
Derivative financial instruments are used to manage the Group's exposure to interest rate and foreign exchange risks. The principal derivative instruments used by the Group are interest rate swaps and foreign exchange forward and option contracts. The Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Hedge accounting
The Group designates certain hedging instruments, in respect of interest rate and foreign currency risk, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group tests whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 31 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedge
The effective portion of changes in the fair value of a derivative that is designated and qualifies as a cash flow hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group's Directors believe that the following accounting policies that involve Directors' judgements and estimates are the most critical to understanding and evaluating the Group's financial results.

Revenue recognition (Note 2)
The Group's revenue recognition policies require Directors to make a number of estimates, with the most significant relating to chargebacks, product returns, rebates and price adjustments (Note 2) which vary by product arrangements and buying groups. If the ultimate net selling price cannot be reliably measured, revenue recognition is deferred until a reliable measurement can be made. The deferred revenue in respect of this is included in other current liabilities in the consolidated balance sheet.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Accounts receivable and bad debts (Note 20)

Trade receivable exposures are managed locally in the operating units where they arise. Credit limits are set as deemed appropriate for the customer, based on a number of qualitative and quantitative factors related to the credit worthiness of a particular customer. The Group is exposed to a variety of customers ranging from government-backed agencies and large private wholesalers to privately owned pharmacies, and the underlying local economic risks vary across the Group. Typical credit terms in the US range from 30-90 days, in Europe 30-120 days, and in MENA 180-360 days. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance.

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

Goodwill and intangible assets (Note 14)

The critical areas of judgement in relation to the valuation of goodwill and intangible assets involve:

Testing for impairment of goodwill and other assets included within a CGU to establish the appropriate valuation of the CGU. The valuation is used for comparison to the carrying value of the net assets of the CGU and requires the following key judgements:

- establishing a five-year business plan for purposes of forecasting free cash flows which involves forecasting appropriate sales and operating expenses taking into considerations both internal and external information. This involves judgements in evaluating current and future market conditions, market size, estimated market share, and competition
- determining future capital expenditures and working capital requirements over the five-year period
- determining a discount rate that appropriately reflects the Group's weighted average cost of capital as adjusted for specific risk premiums reflecting risks inherent in achieving the projected future cash flows
- determining appropriate terminal growth rate beyond the forecast period
- establishing a normalised terminal year to determine the terminal year value, including normalised gross margins

Valuing intangible assets upon initial recognition as at the acquisition date and testing for impairment

- establishing revenue forecasts (including market size, estimated expected market share, number of competitors and net selling prices)
- establishing the expected economic useful lives of the product-related intangibles
- determining the sales and the allocation of marketing, R&D and other operating costs to the individual product-related intangibles
- calculating a contributory asset charge (on working capital, fixed assets and workforce)
- determining a discount rate and specific risk premiums
- for pipeline products, establishing the launch date and probability of a successful product approval are also critical judgements
- taking into consideration potential scenarios when determining forecast revenues
- determining whether a 'triggering event' has occurred for intangible assets with finite lives. In such case we first assess the qualitative factors to determine whether it is more likely than not that the fair value of a finite asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative goodwill impairment test

Contingent liabilities related to acquisitions (Notes 27, 32)

The Group entered contractual liabilities in the form of milestone and royalty payments, where the critical areas of judgement to those liabilities are the probability assigned to reaching the success-based milestones and the management's estimate of future sales.

If the future sales were 5% higher or lower, the fair value of the financial liability at profit or loss will increase/decrease by $6 million.

If the probability assigned to reaching the success-based milestones were 5% higher or lower, the fair value of the financial liability at profit or loss will increase/decrease by $5 million.

Co-development and earnout payment agreement (Notes 27, 32)

In connection with a co-development arrangement for certain products, the Group has a liability for future earnout payments where the critical area of judgment is management's estimate of future sales.

If the above critical areas of judgement were 10% higher or lower, the fair value of the financial liability at profit or loss will increase/decrease by $1 million.

Taxation (Notes 11, 17)

Critical judgements in applying the Group's accounting policies

The following are the critical tax related judgements, apart from those involving estimations (which are dealt with separately below), that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Recognition of deferred tax assets

The recognition of deferred tax assets is based on the current forecast of taxable profits arising in the jurisdiction in which the deferred tax asset arises. A deferred tax asset is recognised to the extent that there are forecast taxable profits within a reasonable period. The Group has a potential deferred tax asset of $278 million (2016: $361 million), of which $135 million (2016: $172 million) has been recognised. This exercise is reviewed each year and, to the extent forecasts change, an adjustment to the recognised deferred tax asset may be made.

Recognition of deferred tax assets is driven by the Group's ability to utilise the deferred tax asset which is reliant on forecast taxable profits arising in the jurisdiction in which losses are incurred.

Key sources of estimation uncertainty

The Group has the following key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Tax audit risk
In common with most international organisations, the Group may be subject to audit from revenue authorities from time to time. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made, management provides for its best estimate of the liability. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as new facts emerge and each dispute progresses. Hikma continues to invest in its financial systems to ensure the quality of the Group's financial data which reduces the risk of an adverse revenue authority audit. Furthermore, Hikma continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments and audits.

Where open issues exist, the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of negotiations with the relevant tax authorities or, if necessary, litigation proceedings.

Other Risks
In addition to tax audits, the Group faces other potential tax risks that could affect the sustainability of the Group's effective tax rate. The main risks are noted below. Hikma regularly takes professional advice to ensure the risks mentioned below are appropriately analysed and managed with any ultimate potential liability being adequately provided.

Transfer Pricing Risk
The transfer pricing risk can arise from a difference in view over the pricing of cross-border, inter-company product sales and services and of sales of assets. The standard by which most authorities, and the Group, assess the transfer price is whether it is set at arm's length. An upward adjustment by the tax authority of one territory will not necessarily result in the downward adjustment by the other territory, potentially leading to an increased estimated tax cost through a mismatch of tax deductions and taxable income, as well as a potential increase arising out of a rate arbitrage. The Group has considered the risk in detail and has provided for potential tax adjustments so does not believe that any adjustment will materially impact the rate going forward.

Export Exemption Withdrawal Risk
The Group benefits from a tax exemption in Jordan arising partly from the WTO approved Export Exemption that will be in force up until 31 December 2018. Hikma does not believe that the impact of the future withdrawal of this exemption will materially impact the Group's tax rate in light of the alternative options available under Jordan's existing domestic rules.

Legislative Change Risks
The Group makes substantial sales in the US market of products owned by a UK Group company which also arranges for the product development and manufacture, both in the US and in other territories in which the Group operates. Whilst a reduction in the US federal tax rate beneficially impacts the Group's effective tax rate, other aspects of the recently enacted US tax reforms, such as base erosion and anti-avoidance tax and a restriction on interest deductions, could have a negative impact on the Group's effective tax rate. Continuing with the impact of changes in tax rules in the territories in which we operate, we are experiencing an upward pressure on the Group's effective tax rate as a result of the Base Erosion and Profit Shifting ('BEPS') initiative of the OECD. The Group continues to monitor the impact of such changes as they become clear and is taking any action necessary to help mitigate any adverse consequences to the extent reasonably possible.

Valuation Risk
As part of a reorganisation following the West-Ward Columbus acquisition in the prior year, certain assets and liabilities were transferred intra-group with external valuations obtained. If these valuations are successfully challenged by relevant tax authorities, it could adversely impact the tax recorded on the reorganisation.

Sensitivity
As at the balance sheet date, the Group held an aggregate provision in the sum of $63 million in respect of liabilities likely to arise from the above estimation uncertainties. Hikma released $17 million in 2017 due to the statute of limitations but this was offset by new provisions of $24 million booked in 2017. In 2018, up to $20 million could be released on the same grounds. If all areas of uncertainty were audited and all areas resulted with an adverse outcome, management does not believe any material additional tax would be payable beyond what is provided.

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

4. Business and geographical segments

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

Operating profit, defined as segment result, is the principal measure used in the decision-making and resource allocation process of the chief operating decision maker, who is the Group's Chief Executive Officer.

Information regarding the Group's operating segments is reported below:

Injectables Year ended 31 December 2017	2017 Core Results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Revenue	**776**	**–**	**776**	781	–	781
Cost of sales	**(296)**	**–**	**(296)**	(276)	–	(276)
Gross profit	**480**	**–**	**480**	505	–	505
Total operating expenses	**(165)**	**(22)**	**(187)**	(165)	(28)	(193)
Segment result	**315**	**(22)**	**293**	340	(28)	312

Generics Year ended 31 December 2017	2017 Core Results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Revenue	**615**	**–**	**615**	604	–	604
Cost of sales	**(390)**	**(6)**	**(396)**	(376)	(32)	(408)
Gross profit	**225**	**(6)**	**219**	228	(32)	196
Total operating expenses	**(203)**	**(1,098)**	**(1,301)**	(193)	(17)	(210)
Segment result	**22**	**(1,104)**	**(1,082)**	35	(49)	(14)

The Generics segment includes the results of the West-Ward Columbus business.

Branded Year ended 31 December 2017	2017 Core Results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core Results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Revenue	**536**	**–**	**536**	556	–	556
Cost of sales	**(271)**	**–**	**(271)**	(274)	–	(274)
Gross profit	**265**	**–**	**265**	282	–	282
Total operating expenses	**(151)**	**(7)**	**(158)**	(170)	(8)	(178)
Segment result	**114**	**(7)**	**107**	112	(8)	104

Others Year ended 31 December 2017	2017 Core results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core Results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Revenue	**9**	**–**	**9**	9	–	9
Cost of sales	**(6)**	**–**	**(6)**	(6)	–	(6)
Gross profit	**3**	**–**	**3**	3	–	3
Total operating expenses	**(7)**	**–**	**(7)**	(5)	–	(5)
Segment result	**(4)**	**–**	**(4)**	(2)	–	(2)

'Others' mainly comprises of Arab Medical Containers LLC, International Pharmaceutical Research Center LLC, Hikma Emerging Markets and Asia Pacific FZ LLC, and the chemicals division of Hikma Pharmaceuticals LLC (Jordan).

4. Business and geographical segments continued

Group Year ended 31 December 2017	2017 Core Results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Revenue	**1,936**	**–**	**1,936**	1,950	–	1,950
Cost of sales	**(963)**	**(6)**	**(969)**	(932)	(32)	(964)
Gross profit	**973**	**(6)**	**967**	1,018	(32)	986
Total operating expense	**(526)**	**(1,127)**	**(1,653)**	(533)	(53)	(586)
Segment result	**447**	**(1,133)**	**(686)**	485	(85)	400
Unallocated expenses	**(61)**	**–**	**(61)**	(66)	(32)	(98)
Operating profit/(loss)	**386**	**(1,133)**	**(747)**	419	(117)	302
Finance income	**2**	**93**	**95**	3	9	12
Finance expense	**(60)**	**(26)**	**(86)**	(63)	(41)	(104)
Profit/(loss) before tax	**328**	**(1,066)**	**(738)**	359	(149)	210
Tax	**(72)**	**(29)**	**(101)**	(80)	28	(52)
Profit/(loss) for the year	**256**	**(1,095)**	**(839)**	279	(121)	158
Attributable to:						
Non-controlling interests	**4**	**–**	**4**	3	–	3
Equity holders of the parent	**252**	**(1,095)**	**(843)**	276	(121)	155
	256	**(1,095)**	**(839)**	279	(121)	158

Unallocated corporate expenses mainly comprise of employee costs, third party professional fees, travel expenses, rent expenses and donations (2016 comprise of employee costs, third party professional fees, travel expenses, donations and acquisition-related expenses).

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

	2017 $m	2016 $m
United States	**1,201**	1,211
Middle East and North Africa	**630**	641
Europe and Rest of the World	**103**	95
United Kingdom	**2**	3
	1,936	1,950

The top selling markets were as below:

	2017 $m	2016 $m
United States	**1,201**	1,211
Saudi Arabia	**157**	143
Algeria	**106**	115
	1,464	1,469

Included in revenues arising from the Generics and Injectables segments are revenues of approximately $301 million (2016: $253 million) which arose from the Group's largest customer which is located in the United States.

5. Exceptional items and other adjustments

Exceptional items and other adjustments are disclosed separately in the consolidated income statement to assist in the understanding of the Group's core performance.

Exceptional items	2017 $m	2016 $m
Impairment of West-Ward Columbus goodwill	**(407)**	–
Impairment of product related intangible assets, software, property, plant and equipment and others	**(681)**	(6)
Impairment of property, plant and equipment	**(17)**	(10)
Contingent consideration gain	**29**	–
Acquisition, integration and other costs	**(9)**	(41)
Gain from sale of assets, net	**–**	18
Inventory related adjustments	**–**	(27)
Release of contingent liability	**–**	4
Write-down of products related intangible assets	**–**	(18)
Exceptional items included in operating profit/(loss)	**(1,085)**	(80)
US tax reform bill	**(49)**	–
Exceptional items included in profit/(loss)	**(1,134)**	(80)
Other adjustments		
Intangible amortisation other than software	**(48)**	(37)
Remeasurement of contingent consideration, financial liability and asset, (net)	**67**	(32)
Exceptional items and other adjustments	**(1,115)**	(149)
Tax effect	**20**	28
Impact on profit/(loss) for the year	**(1,095)**	(121)

In reference to the exceptional items and other adjustments policy in Note 2, the details are presented below:

Exceptional items:

- Impairment of West-Ward Columbus goodwill relates to the unfavourable industry developments in the US Generics industry in the second half of 2017 and is included in other operating expenses (Note 14)
- Impairment of product related intangible assets, property, plant and equipment and others, relates to the impairment of West-Ward Columbus other assets, including product rights, in process R&D, software and property, plant and equipment, and is included in other operating expenses (Notes 14, 15). In addition, impairment of other product related intangible assets of $4 million which is included in research and development expenses (Note 14)
- Impairment of property, plant and equipment mainly relates to the planned disposal of the Eatontown, NJ manufacturing facility which is included in other operating expenses (Notes 8, 15)
- Contingent consideration gain represents an adjustment to a refund of the West-Ward Columbus purchase price, given certain regulatory conditions did not occur as expected by 24 December 2017 and is included in the other operating expenses (Notes 8, 23)
- Acquisition, integration and other costs were incurred in relation to the acquisition of West-Ward Columbus and Eatontown planned disposal and are included in the overhead, general and administrative, sales and marketing, and research and development expenses
- US tax reform bill represents the estimated impact on the US deferred tax asset of lowering the US federal tax rate which was signed in December 2017, and is effective from 1 January 2018 (Note 11)

The details of impairment losses are presented below:

	2017 $m
West-Ward Columbus goodwill	407
West-Ward Columbus product related intangible assets	501
West-Ward Columbus software	12
West-Ward Columbus intangible assets	**920**
West-Ward Columbus property, plant and equipment	164
Total West-Ward Columbus impairment	**1,084**
Other property, plant and equipment	17
Other product related intangible assets (Research and development)	4
Total impairment	**1,105**
Total impairment of intangibles	**924**
Total impairment of property, plant and equipment	**181**
Total impairment	**1,105**

5. Exceptional items and other adjustments continued

In previous periods, exceptional items and other adjustments were related to the following:

- Impairment of product-related intangible assets was included within research and development expenses
- Acquisition, integration and other related costs were incurred in relation to the acquisition of West-Ward Columbus, which was completed on 29 February 2016. Acquisition related expenses were included within the unallocated corporate expenses, while integration and other expenses were included within general and administrative expense and cost of sales respectively. Acquisition related expenses mainly comprise of third party consulting services, legal and professional fees; and other costs represent severance and retention payments paid
- Impairment of property, plant and equipment related to the write-off of machinery and equipment as a result of previous acquisition, and was included within other operating expenses
- Gain from sale of assets related to the divestiture of certain products, and was included within other operating income
- Inventory-related adjustments reflected the amortisation of the fair value uplift of the inventory acquired as part of the West-Ward Columbus acquisition, and were included within cost of sales
- Release of contingent liability was due to not achieving certain performance-related milestones in respect of a previous acquisition, and was included within other operating income
- Write-down of product-related intangible assets related to the write-down of certain R&D elements associated with the co-development agreements entered into with third parties since 2011 and was included within research and development expenses

Other adjustments:

Remeasurement of contingent consideration, financial liability and asset represents the net difference resulting from the valuation of the liabilities and assets associated with the future contingent payments receivable in respect of the West-Ward Columbus acquisition and the financial liability in relation to the co-development earnout payment agreement (Notes 18, 23, 27, 32). The remeasurement is included in finance expense/income.

6. Profit/(loss) for the year

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

	2017 Core results $m	**2017 Exceptional items and other adjustments (Note 5) $m**	**2017 Reported results $m**	2016 Core results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Net foreign exchange (gains)/losses	**(3)**	**–**	**(3)**	21	–	21
Depreciation and impairment	**77**	**181**	**258**	68	10	78
Amortisation and impairment (including software)	**11**	**972**	**983**	7	43	50
Research and development (other than staff costs)	**81**	**–**	**81**	91	18	109
Inventories:						
Cost of inventories recognised as an expense	**548**	**–**	**548**	548	27	575
Write-down of inventories	**58**	**–**	**58**	68	–	68
Staff costs (Note 7)	**477**	**8**	**485**	461	4	465

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

	2017 $m	2016 $m
Audit of the Company's annual accounts	**0.6**	0.9
Audit of the Company's subsidiaries pursuant to legislation	**1.6**	1.7
Total audit fees	**2.2**	2.6
Assurance services*	**0.2**	0.2
Total audit and assurance fees	**2.4**	2.8
– Tax advisory services	**–**	0.6
Total non-audit fees	**–**	0.6
Total fees	**2.4**	3.4

* Assurance services relate to review procedures in respect to the interim financial information.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 78 to 81 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

7. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2017 Number	2016 Number
Production	**5,017**	4,904
Sales and marketing	**2,123**	2,147
General and administrative	**1,047**	992
Research and development	**334**	296
	8,521	8,339

	2017 $m	2016 $m
Their aggregate remuneration comprised:		
Wages, salaries and bonuses	**321**	320
Social security costs	**30**	29
Post-employment benefits	**16**	16
End of service indemnity	**10**	6
Share-based payments (Note 38)	**22**	22
Car and housing allowances	**19**	17
Health insurance	**39**	32
Other costs and employee benefits	**28**	23
	485	465

8. Other operating expense/income

Other operating expense	2017 Core Results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core Results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Inventory related provisions	**58**	**–**	**58**	68	–	68
Impairment loss	**–**	**1,101**	**1,101**	–	10	10
Loss from disposal of property, plant and equipment	**3**	**–**	**3**	–	–	–
Loss from disposal of intangible assets	**–**	**–**	**–**	1	–	1
Forex losses (net)	**–**	**–**	**–**	19	–	19
Others	**–**	**–**	**–**	4	–	4
	61	**1,101**	**1,162**	92	10	102

Other operating income	2017 Core results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Gain from disposal of property, plant and equipment	**1**	**–**	**1**	–	–	–
Gain from disposal of intangible assets	**–**	**–**	**–**	1	18	19
Forex gain (net)	**4**	**–**	**4**	–	–	–
Others*	**10**	**29**	**39**	10	4	14
	15	**29**	**44**	11	22	33

* **Others:** mainly includes contingent consideration gain (Note 5) in addition to proceeds from legal claims.

9. Finance income

	2017 Core Results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core Results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Interest income	**2**	**–**	**2**	2	–	2
Remeasurement of contingent consideration, financial liability and asset, net	**–**	**93**	**93**	–	9	9
Other financial income	**–**	**–**	**–**	1	–	1
	2	**93**	**95**	3	9	12

10. Finance expense

	2017 Core Results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core Results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Interest on bank overdrafts and loans	**29**	**–**	**29**	26	–	26
Interest on Eurobond	**22**	**–**	**22**	22	–	22
Remeasurement of contingent consideration, financial liability and asset, net	**–**	**26**	**26**	–	41	41
Other bank charges	**8**	**–**	**8**	13	–	13
Net foreign exchange loss	**1**	**–**	**1**	2	–	2
	60	**26**	**86**	63	41	104

11. Tax

	2017 Core Results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported Results $m	2016 Core Results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported Results $m
Current tax:						
Foreign tax	**50**	**(20)**	**30**	143	(28)	115
Adjustment to prior year	**–**	**–**	**–**	2	–	2
Deferred tax (Note 17)						
Current year	**22**	**49**	**71**	(57)	–	(57)
Adjustment to prior year	**–**	**–**	**–**	(8)	–	(8)
	72	**29**	**101**	80	(28)	52

UK corporation tax is calculated at 19.25% (2016: 20.0%) of the estimated assessable profit made in the UK for the year.

The Group incurred a tax expense of $101 million (2016: $52 million). The effective tax (credit)/charge rate is (13.7%), (2016: 24.8%). The reduction in the effective tax rate largely reflects the impairment booked during the year.

Taxation for all jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

11. Tax continued

The charge for the year can be reconciled to loss before tax per the consolidated income statement as follows:

	2017 $m	2016 $m
Profit/(loss) before tax	**(738)**	210
Tax at the UK corporation tax rate of 19.25% (2016: 20.0%)	**(142)**	42
Profits taxed at different rates	**13**	13
Permanent differences		
– non-taxable income	**(13)**	(17)
– non-deductible expenditures	**6**	13
– adjustment on intercompany inventory	**(7)**	(14)
– Other	**(7)**	(1)
– Impairment of goodwill	**78**	–
State and local taxes	**(4)**	2
Temporary differences		
– Tax losses and other deductible temporary differences for which no benefit is recognised	**119**	11
– Tax rate changes (US tax reform)	**49**	–
– Other	**–**	2
Change in provision for uncertain tax positions	**7**	5
Unremitted earnings	**2**	2
Prior year adjustments	**–**	(6)
Tax expense for the year	**101**	52

Profits taxed at different tax rates relates to profits arising in overseas jurisdictions where the tax rate differs from the UK statutory rate.

Permanent differences relate to items which are non-taxable or no tax relief is ever likely to be due. The major items are differences in GAAP between IFRS and local territory GAAP, expenses and income disallowed where they are covered by statutory exemptions, foreign exchange differences in some territories and statutory reliefs such as R&D and manufacturing tax credits.

Temporary differences for which no benefit is recognised includes items on which it is not possible to book deferred tax and comprise mainly unrecognised tax losses. The tax losses have mainly arisen from the impairment of the West-Ward Columbus. Management has not recognised a benefit for the losses on the basis that there are insufficient forecasted taxable profits in the foreseeable future.

The change in provision for uncertain tax positions relates to the provisions the Group holds in the event of a revenue authority successfully taking an adverse view of the positions adopted by the Group in 2017 and primarily relates to a transfer pricing adjustment.

Prior year adjustments include differences between the tax liability recorded in the tax returns submitted for previous years and estimated tax provision reported in a prior period's financial statements. This category also includes adjustments (favourable or adverse) in respect of uncertain tax positions following agreement of the tax returns with the relevant tax authorities.

US tax reform

The impact of the US Tax Cuts and Jobs Act of 2017 has been restricted to the reduction of the US deferred tax asset, as a result of the fall in the federal corporate income tax rate from 35% to 21%, by $49 million.

State Aid

The Group is monitoring developments in relation to the EU's State Aid investigations, in particular, the EU Commission's announcement in October 2017 that it will be opening a State Aid investigation into the Group Financing Exemption of the UK's Controlled Foreign Company ('CFC') legislation. This exemption was introduced by the UK Government in 2013. In common with other UK based international companies that have arrangements in line with the UK's current CFC legislation, Hikma is potentially affected by the outcome of this investigation. The Group does not currently consider any provision is required in relation to EU State Aid. As with all uncertain tax positions, the assessment of risk is subjective and involves significant management judgement. The judgement is based on management's understanding of legislation, experience and professional advice taken on the matters.

Publication of tax strategy

The new UK requirement for large UK businesses to publish their tax strategy came into effect in 2017. Hikma's tax strategy has been made available on the Group's website.

12. Dividends

	2017 $m	2016 $m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2016 of 22.0 cents (2015: 21.0 cents) per share	**53**	51
Interim dividend for the year ended 31 December 2017 of 11.0 cents (2016: 11.0 cents) per share	**26**	26
	79	77

The proposed final dividend for the year ended 31 December 2017 is 23.0 cents (2016: 22.0 cents).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 19 May 2018 and has not been included as a liability in these financial statements. Based on the number of shares in issue at 31 December 2017 (240,678,894), the unrecognised liability is $55 million.

13. Earnings/(loss) per share

Earnings/(loss) per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares. The number of ordinary shares used for the basic and diluted calculations is shown in the table below. Core basic earnings per share and Core diluted earnings per share are intended to highlight the Core results of the Group before exceptional items and other adjustments.

	2017 Core results $m	2017 Exceptional items and other adjustments (Note 5) $m	2017 Reported results $m	2016 Core results $m	2016 Exceptional items and other adjustments (Note 5) $m	2016 Reported results $m
Earnings/(loss) for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	**252**	**(1,095)**	**(843)**	276	(121)	155

Number of shares	2017 Number 'm	2016 Number 'm
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	**240**	233
Effect of dilutive potential Ordinary Shares:		
Share-based awards	**1**	1
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	**241**	234

	2017 Core Earnings per share Cents	2017 Reported Earnings per share Cents	2016 Core Earnings per share Cents	2016 Reported Earnings per share Cents
Basic	**105.0**	**(351.3)**	118.5	66.5
Diluted	**104.6**	**(349.8)**	117.9	66.2

14. Goodwill and Other intangible assets

The changes in the carrying value of goodwill and other intangible assets for the years ended 31 December 2017 and 31 December 2016 are as follows:

	Goodwill $m	Product-related intangibles $m	Software $m	Other identified intangibles $m	Total $m
Cost					
Balance at 1 January 2016	293	287	52	96	728
Additions	–	18	35	19	72
Acquisition of subsidiaries*	420	743	1	–	1,164
Write-down (Note 5)	–	(18)	–	–	(18)
Disposals	–	(5)	–	(1)	(6)
Translation adjustments	(30)	(19)	(1)	(8)	(58)
Balance at 1 January 2017	683	1,006	87	106	1,882
Additions	–	7	31	1	39
Translation adjustments	7	2	–	4	13
Balance at 31 December 2017	690	1,015	118	111	1,934
Amortisation					
Balance at 1 January 2016	(1)	(52)	(22)	(46)	(121)
Charge for the year	–	(30)	(7)	(7)	(44)
Adjustments to beginning balance	–	(2)	–	2	–
Impairment (Note 5)	–	(6)	–	–	(6)
Translation adjustments	–	3	1	4	8
Balance at 1 January 2017	(1)	(87)	(28)	(47)	(163)
Charge for the year	–	(41)	(11)	(7)	(59)
Impairment (Note 5)	(407)	(505)	(12)	–	(924)
Translation adjustments	–	–	–	(3)	(3)
Balance at 31 December 2017	(408)	(633)	(51)	(57)	(1,149)
Carrying amount					
At 31 December 2017	**282**	**382**	**67**	**54**	**785**
At 31 December 2016	682	919	59	59	1,719

* Goodwill recognised as part of the West-Ward Columbus and EUP transactions in 2016.

In 2017, the Group recorded a total intangible impairment charge of $924 million related to goodwill of $407 million, product-related intangibles of $505 million and software of $12 million. Of this amount $920 million relates to the impairment of the intangible assets related to West-Ward Columbus (Note 5).

Of the $924 million impairment recorded, $35 million was recorded in the first half and the remaining $889 million was recorded in the second half.

Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	As at 31 December	
	2017 $m	2016 $m
Branded	**169**	164
Injectables	**113**	111
West-Ward Columbus	**–**	407
Total	**282**	682

14. Goodwill and Other intangible assets continued

In accordance with the Group policy, goodwill is tested annually for impairment during the fourth quarter or more frequently if there are indications that goodwill may be impaired.

Details related to the discounted cash flow models used in the impairment tests of the CGUs are as follows:

Valuation basis	Higher of fair value less costs of disposal and value in use		
Key assumptions	Sales growth rates		
	Profit margins		
	Terminal growth rate		
	Discount rate		
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information		
	Margins reflect past experience, adjusted for expected changes		
	Terminal growth rates based on management's estimate of future long-term average growth rates		
	Discount rates based on Group WACC, adjusted where appropriate		
Period of specific projected cash flows	5 years		
Terminal growth rate and discount rate		Terminal growth rate (perpetuity)	Pre-tax discount rate
	Branded	2%	18%
	Injectables	2%	13%
	West-Ward Columbus	2%	13%

Considering the unfavourable industry developments impacting the Generics' business during the second half of 2017, Hikma recorded an impairment charge of $407 million against the West-Ward Columbus goodwill.

West-Ward Columbus CGU: Over the second half of 2017, Hikma noted ongoing and difficult market conditions in the US generics market, driven primarily by:

- Pricing challenges due to customer consolidation.
- Increasing generic approvals affecting the value in use of already marketed products and the potential of future launches.
- Delays in generic approvals of more complex products.

As a result of these factors discussed, Hikma adjusted certain assumptions used in its cash flow projections to determine the value in use of the West-Ward Columbus CGU. More specifically, in comparison with previous periods, Hikma expects lower revenues and profitability from newly launched products as well as higher price erosion on its currently marketed portfolio. The outlook for West-Ward Columbus revenue and profitability over the medium term is lower than previously expected.

In performing the impairment test for the West-Ward Columbus CGU, an additional impairment charge of $269 million above the amount of impairment of the goodwill and stand-alone IPR&D and Product Rights was required. In accordance with IFRS, such excess was allocated pro rata to the remaining non-current asset of the CGU.

The impairment charge was the result comparing the estimated value in use of the CGU based on its discounted cash flow model to the carrying value of the CGU. The key sensitivities in determining the value in use and the potential impact on the impairment charge were as follows:

			Change in total impairment	
Sensitivity factor	Assumption in model	Sensitivity Variant	Low*	High*
Terminal Growth rate	2% per year into perpetuity	1% change	44	(57)
Discount rate	10.5% post tax, 12.9% pre-tax	1% change	83	(106)
Sales	According to management projections of volumes and prices on a product by product basis	5% change in price and volumes	230	(235)
		5% change in price	133	(125)
		5% change in volume	103	(97)
Terminal year margins	Based on five-year average	5% change	192	(188)

* Represents the low and high end of the range of change in the impairment charge based on the sensitivity variant.

14. Goodwill and Other intangible assets continued

The discount rate is expected to reduce over time as any risk-premium associated with the acquisition should reduce. Also, any change in expected product launch dates is likely to result in potential operational changes which could mitigate any potential impairment charges.

Other CGUs: The Group also performed its annual goodwill impairment test on a quantitative basis of the Branded and Injectables CGU's. The Group conducted a sensitivity analysis on the impairment of each CGU's carrying value. Although the Directors have concluded sufficient headroom* exists for both of these CGU's, there is a reasonable possibility that changes to the key assumptions could result in impairment. The most uncertain assumptions are sales growth and the discount rate. We have performed sensitivity analysis on the key assumptions affecting the valuation for both the Branded and Injectables CGUs and have determined that sufficient headroom exists. Specifically, an evaluation of the valuation of the CGU was made assuming an increase of 1% in the discount rate, or a 5% decline in the forecasted net sales, or a 5% decline in the gross margins in the terminal year, or a 1% decline in the terminal growth rate and in all cases sufficient headroom exists.

Whilst there is some uncertainty regarding the short-term impact of the political events in the MENA, the Group does not consider that the likelihood of impairment losses in the long-term has increased.

* Headroom is defined as the excess of the higher of fair value and the value in use, compared to the carrying value of a CGU.

Other Intangible Assets

Other intangible assets with a net book value of $503 million at 31 December 2017 (2016: $1,037 million) consists of In-Process Research and Development (IPR&D) of $223 million (2016: $547 million), product rights of $159 million (2016: $375 million) and other intangible assets of $121 million (2016: $115 million).

The majority of the Group's product related intangible assets are marketed in the US region, whereby the carrying value of individually significant assets within the product-related intangibles are presented below:

	As at 31 December	
	2017 $m	2016 $m
Generic Advair®	**138***	306

* Amount is lower than the stand-alone asset value of $206 million as a result of a $68 million allocation of the excess CGU impairment as discussed above.

IPR&D: During the first half of 2017, certain triggering events occurred and required the Group to perform tests for impairment. Such events included continued pricing pressure and increased competition on a number of products and delays in product launches, resulting in a reduced forecast of future net cash inflows compared to previous forecasts. The Group recorded impairment charges of $35 million for other intangible assets using a value-in-use model in the first half of 2017.

As of 31 December 2017, Hikma performed an analysis and valuation of the Generic Advair® and the related contingent consideration using a discounted cash flow model based on a probability weighting of a number of different potential scenarios, including the expected launch date and the number of competitors at the time of launch. As a result, a total impairment charge of $168 million was recorded in the second half of 2017 after considering the pro-rata allocation of the excess CGU impairment. The key sensitivities in the valuation of this IPR&D asset and the impact on the valuation of the asset are as follows:

			Sensitivity Variant	Change in Generic Advair® base asset value	
Sensitivity factor	Assumption in model		Low end change	Base asset value	High End change
Launch date	Probability weighted average of different possibilities	1Q change	(31)	138	29
Sales	According to management projections of volumes and prices	5% change in price and volumes	(34)	138	37
		5% change in price	(18)	138	19
		5% change in volume	(17)	138	17
Discount rate	12.5% post tax	1% change	(12)	138	14

As of 31 December 2017, the Group performed its annual review of other IPR&D assets acquired as part of the West-Ward Columbus and Bedford acquisitions. The result of this testing was a further impairment charge of $177 million for the West-Ward Columbus IPR&D. The impairment charge was based upon updated forecasts and future development plans, compared with the carrying values. The updated values were determined based upon detailed valuations employing the value in use approach. The valuations reflect, among other things, the impact of changes to development programs, the projected development and regulatory time frames and the current competitive environment. Any future change to these assumptions may result in further reduction to the estimated fair values of these IPR&D assets and could result in additional impairment charges. We performed sensitivity analysis on the remaining $85 million of indefinite life IPR&D (other than Generic Advair® discussed above) on the key assumptions affecting the valuation and have determined that sufficient headroom exists. Specifically evaluated an increase of 1% in the discount rate, or a 5% decline is the forecasted net sales, or a 5% decline in the gross margins in the terminal year, or a 1% decline in the terminal growth rate and in all cases no additional impairment was necessary.

Based on the new estimates incorporating all of the above factors, an impairment charge of $345 million, including for Generic Advair® above, was recorded in the second half of 2017 for IPR&D products.

14. Goodwill and Other intangible assets continued

Product Rights: Whenever impairment indicators are identified for definite life intangible assets, Hikma reconsiders the asset's estimated life, calculates the undiscounted value of the assets or asset group's cash flows and compares such value against the asset's or asset group's carrying amount. If the carrying amount is greater, Hikma records an impairment loss for the excess of book value over valuation based on the discounted cash flows by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. The more significant estimates and assumptions inherent in the estimate of the value in use of identifiable intangible assets include all assumptions associated with forecasting product profitability.

In the second half of 2017, due to the challenges impacted the US generics market, discussed above, an impairment charge of $123 million was recorded for product rights.

Other Intangible assets:

Software: Software intangibles mainly represent the Enterprise Resource Planning solutions that are being implemented in different operations across the Group in addition to other software applications. The software has an average estimated useful life that varies from three to ten years. As noted above, $12 million of the West-Ward Columbus CGU impairment charge was allocated to software intangibles.

Customer relationships: Customer relationships represent the value attributed to existing direct customers that the Group acquired on the acquisition of subsidiaries. The customer relationships have an average estimated useful life of 15 years (2016: 15 years).

Trade name: Trade names were mainly recognised on the acquisition of Hikma Germany GmbH (Germany) and Promopharm with estimated useful lives of ten years.

Marketing rights are amortised over their useful lives commencing in the year in which the rights are ready for use with estimated useful lives that varies from 2 to 10 years.

Other acquisition related: This mainly represents intangible assets recognised on the acquisition of Thymoorgan, which relate to its specialist manufacturing capabilities. The estimated useful life is 12 years.

Amortisation of all intangible assets with finite useful lives is charged on a straight-line basis.

As at 31 December 2017, the Group had entered into contractual commitments for the acquisition of intangible assets of $5 million (2016: $19 million).

15. Property, plant and equipment

Cost	Land and buildings $m	Machinery and equipment $m	Vehicles, fixtures and equipment $m	Projects under construction $m	Total $m
Balance at 1 January 2016	**298**	**360**	**84**	**90**	**832**
Additions	8	7	6	97	118
Acquisition of subsidiaries	180	144	9	125	458
Adjustments to opening balance	–	8	–	2	10
Disposals	–	(3)	(1)	(1)	(5)
Transfers	64	44	9	(117)	–
Translation adjustment	(20)	(21)	(9)	(4)	(54)
Balance at 1 January 2017	**530**	**539**	**98**	**192**	**1,359**
Additions	2	7	8	95	112
Adjustments to opening balance	2	1	1	–	4
Disposals	(1)	(4)	(2)	(2)	(9)
Transfers	52	64	7	(123)	–
Translation adjustment	7	12	2	2	23
Balance at 31 December 2017	**592**	**619**	**114**	**164**	**1,489**
Accumulated depreciation					
Balance at 1 January 2016	(70)	(198)	(53)	(4)	(325)
Charge for the year	(18)	(39)	(11)	–	(68)
Adjustments to opening balance	–	(7)	–	(3)	(10)
Disposals	–	2	2	–	4
Impairment (Note 5)	–	(10)	–	–	(10)
Translation adjustment	4	10	5	–	19
Balance at 1 January 2017	**(84)**	**(242)**	**(57)**	**(7)**	**(390)**
Charge for the year	(21)	(45)	(11)	–	(77)
Adjustments to opening balance	(2)	(1)	(1)	–	(4)
Disposals	–	1	2	–	3
Impairment (Note 5)	(86)	(84)	(5)	(6)	(181)
Translation adjustment	(3)	(8)	(1)	–	(12)
Balance at 31 December 2017	**(196)**	**(379)**	**(73)**	**(13)**	**(661)**
Carrying amount					
At 31 December 2017	**396**	**240**	**41**	**151**	**828**
At 31 December 2016	**446**	**297**	**41**	**185**	**969**

Land is not subject to depreciation.

During the year the Group reported an impairment charge of $181 million, of which $164 million related to the West-Ward Columbus CGU impairment, in addition to $17 million resulted from the decision to consolidate certain manufacturing facilities in the US (Notes 5, 14).

The net book value of the Group's property, plant and equipment includes an amount of $6 million (2016: $6 million) in respect of assets held under finance lease.

As at 31 December 2017, the Group had pledged property, plant and equipment having a carrying value of $11 million (2016: $42 million) as collateral for various long-term loans. This amount includes both specific items around the Group and the net property, plant and equipment of the Group's businesses in Germany, Tunisia and Egypt (2016: Portugal, Germany and Tunisia).

As at 31 December 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $12 million (2016: $9 million).

16. Investments in associates and joint ventures

The Group's share in Hubei Haosun Pharmaceutical Co Ltd (China) is 30.1% at 31 December 2017 (31 December 2016: 30.1%) with an investment balance of $3 million at 31 December 2017 (31 December 2016: $4 million),

The Group's share of the results of Hubei Haosun Pharmaceutical Co. Ltd is loss of $1 million (2016: $nil).

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Joint ventures $m	**Associates $m**	**Total $m**	Joint ventures $m	Associates $m	Total $m
Balance at 1 January	**3**	**4**	**7**	3	4	7
Share of loss	**–**	**(1)**	**(1)**	–	–	–
Balance at 31 December	**3**	**3**	**6**	3	4	7

During 2017, Hikma and MIDROC have agreed not to proceed with the HikmaCure joint venture and to liquidate it. During the year, the Joint venture granted two loans of $2.3 million each to the Group and MIDROC.

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

	As at 31 December 2017 $m	As at 31 December 2016 $m
Total assets	**16**	15
Total liabilities	**7**	5
Net assets	**9**	10
Group's share of net assets of associates	**3**	3

	For the year ended 31 December 2017 $m	For the year ended 31 December 2016 $m
Total revenue	**3**	4
Net loss	**(1)**	–
Group's share of loss of associates	**(1)**	–

17. Deferred tax

Certain deferred tax assets and liabilities have been appropriately offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 December	
	2017 $m	2016 $m
Deferred tax liabilities	**(49)**	(15)
Deferred tax assets	**135**	172
	86	157

17. Deferred tax continued

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting years.

	Tax losses $m	Deferred R&D costs $m	Other short-term temporary differences* $m	Amortisable assets $m	Fixed assets $m	Share-based payments $m	Total $m
At 1 January 2016	4	1	74	(18)	(13)	1	49
Credit/(Charge) to income	2	–	70	10	(16)	(1)	65
Acquisition of subsidiary	–	–	61	(20)	(2)	–	39
Exchange differences	–	–	(3)	5	2	–	4
At 1 January 2017	**6**	**1**	**202**	**(23)**	**(29)**	**–**	**157**
Credit/(Charge) to income	(3)	–	(71)	7	(4)	–	(71)
At 31 December 2017	**3**	**1**	**131**	**(16)**	**(33)**	**–**	**86**

* The other deferred taxes on short-term temporary differences primarily relate to charge backs and product returns in the US of $76 million (2016: $104 million) and the unrealised intercompany profits of $17 million (2016: $25 million).

No deferred tax asset has been recognised on temporary differences totalling $770 million (2016: $189 million) due to the unpredictability of the related future profit streams. $578 million (2016: $167 million) of these temporary differences relate to losses on which no deferred tax is recognised. None of these losses are expected to expire.

We have recognised a deferred tax liability on temporary differences relating to the unremitted earnings of overseas subsidiaries of $4 million (2016: $2 million). No deferred tax liability has been recognised on the remaining unremitted earnings of $278 million (2016: $208 million), as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

18. Financial and other non-current assets

	As at 31 December	
	2017 $m	2016 $m
Price adjustment receivable	**4**	3
Available for sale investments	**16**	7
Other non-current asset	**40**	38
	60	48

Price adjustment receivable represents the non-current portion of the contingent receivable in relation to the West-Ward Columbus acquisition (Note 30), whereby as part of the acquisition, the Group will be reimbursed for certain contingent payments in respect of milestones and other conditions based on future events, the current portion of the price adjustment receivable is disclosed in Note 23. During the year, the Group received $3 million reimbursement (2016: $82 million) in cash.

Available for sale investments include investments in five venture capital companies through the Group's venture capital arms, Hikma International Ventures and Development LLC and Hikma Ventures Limited.

Other non-current assets represent mainly inventory expected to be sold after one year.

19. Inventories

	As at 31 December	
	2017 $m	2016 $m
Finished goods	**135**	120
Work-in-progress	**63**	73
Raw and packing materials	**234**	229
Goods in transit	**33**	18
Spare parts	**23**	19
	488	459

19. Inventories continued

Inventories are stated net of provision as follows:

	As at 31 December 2016 $m	Additions $m	Utilisation $m	Translation adjustments $m	**As at 31 December 2017 $m**
Provisions against inventory	**65**	**56**	**(40)**	**–**	**81**

20. Trade and other receivables

	As at 31 December	
	2017 $m	2016 $m
Trade receivables	**650**	699
Prepayments	**41**	44
VAT and sales tax recoverable	**13**	14
Employee advances	**3**	2
	707	759

The fair value of receivables is estimated to be equal to the carrying amount.

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

	As at 31 December 2016 $m	Additions $m	Utilisation $m	Translation adjustments $m	**As at 31 December 2017 $m**
Chargebacks and other allowances	**261**	**1,711**	**(1,734)**	**–**	**238**
Doubtful debts	**54**	**14**	**(1)**	**–**	**67**
	315	**1,725**	**(1,735)**	**–**	**305**

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

		Past due				
At 31 December 2017	**Not past due on the reporting date $m**	**Less than 90 days $m**	**Between 91 and 180 days $m**	**Between 181 and 360 days $m**	**Over one year $m**	**Impaired $m**	**Total $m**
Total trade receivables as at 31 December 2017	**750**	**82**	**22**	**22**	**12**	**67**	**955**
Related allowance for doubtful debts						**(67)**	**(67)**
	750	**82**	**22**	**22**	**12**	**–**	**888**
Chargebacks and other allowances							**(238)**
Net receivables							**650**

		Past due				
At 31 December 2016	Not past due on the reporting date $m	Less than 90 days $m	Between 91 and 180 days $m	Between 181 and 360 days $m	Over one year $m	Impaired $m	Total $m
Total trade receivables as at 31 December 2016	841	70	13	24	12	54	1,014
Related allowance for doubtful debts						(54)	(54)
	841	70	13	24	12	–	960
Chargebacks and other allowances							(261)
Net receivables							699

The Group establishes an allowance for impairment that represents its estimate of losses in respect of specific trade and other receivables where it is deemed that a receivable may not be recoverable. When the receivable is deemed irrecoverable, the allowance account is written-off against the underlying receivable.

More details on the Group's policy for credit and concentration risk are provided in Note 30.

21. Collateralised and restricted cash

Collateralised and restricted cash amounting to $4 million and mainly represents restricted cash retained against short-term bank transactions granted to the Group's Sudanese, Algerian and Egyptian operations (2016: Sudanese, Algerian and US operations of $5 million and a further of $2 million of restricted cash held in an escrow account related to the acquisition of EIMC United Pharmaceuticals).

22. Cash and cash equivalents

	As at 31 December	
	2017 $m	2016 $m
Cash at banks and on hand	**98**	77
Time deposits	**80**	68
Money market deposits	**49**	10
	227	155

Cash and cash equivalents include highly liquid investments with maturities of three months or less which is convertible to known amounts of cash and are subject to insignificant risk of changes in value.

23. Other current assets

	As at 31 December	
	2017 $m	2016 $m
Price adjustment receivable	**61**	34
Investment designated at fair value	**22**	20
Others	**12**	12
	95	66

Price adjustment receivable: In respect to Note 18 this represents the current portion of the contingent receivable in relation to the West-Ward Columbus acquisition (Note 30). In addition, the Group was entitled to be reimbursed with $30 million from the seller of a previous acquisition if certain regulatory conditions existed as of 24 December 2017.

Investment designated at fair value: Represents the agreement the Group entered into with an asset management firm in 2015 to manage a $20 million portfolio of underlying debt instruments. The investment comprises a portfolio of assets that are managed by an asset manager and is measured at fair value; any changes in fair value go through other comprehensive income. This asset is classified as level 1 as it uses quoted prices in active markets.

24. Bank overdrafts and loans

	As at 31 December	
	2017 $m	2016 $m
Bank overdrafts	**10**	10
Import and export financing	**48**	63
Short-term loans	**1**	–
Current portion of long-term loans (Note 28)	**27**	44
	86	117

	2017 %	2016 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	**4.55**	4.32
Bank loans (including the non-current bank loans)	**3.65**	3.26
Eurobond	**4.25**	4.25
Import and export financing	**4.58**	3.75

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

25. Trade and other payables

	As at 31 December	
	2017 $m	2016 $m
Trade payables	**218**	172
Accrued expenses	**134**	157
Other payables	**13**	14
	365	343

The fair value of payables are estimated to be equal to the carrying amount.

Other payables mainly comprise of employees' provident fund liability of $4 million (31 December 2016: $5 million), which mainly represents the outstanding contributions to the Hikma Pharmaceuticals Ltd (Jordan) retirement benefit plan, on which the fund receives 3.5% interest.

26. Other provisions

Other provisions represent the end of service indemnity provisions for employees of certain Hikma Group subsidiaries. This provision is calculated based on relevant laws in the countries where each Group company operates, in addition to their own policies.

Movements on the provision for end of service indemnity:

	2017 $m	2016 $m
1 January	**27**	28
Additions	**3**	1
Utilisation	**(4)**	(2)
At 31 December	**26**	27

27. Other current liabilities

	As at 31 December	
	2017 $m	2016 $m
Deferred revenue	**–**	13
Return and free goods provision	**127**	109
Co-development and earnout payment	**3**	4
Supply Manufacturing Agreement	**9**	–
Contingent consideration	**–**	93
Contingent liability	**–**	30
Obligations under finance leases	**1**	1
Indirect rebate and other allowances	**67**	49
Others	**31**	20
	238	319

Return and free goods provision: The Group allows customers to return products within a specified period prior to and subsequent to the expiration date. Free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as compensation for expired or returned goods.

The movement on return and free goods provision is presented below:

	As at 31 December 2016 $m	**Additions $m**	**Utilisation $m**	**As at 31 December 2017 $m**
Return and free goods provision	**109**	**96**	**(78)**	**127**

Co-development and earnout payment agreement: The liability mainly relates to the present value of future payments on a co-development and earnout agreement. As part of this agreement, milestone payments dependent on successful clinical development of defined products are received by the Group. In return of receiving such milestone payments, the Group has agreed to pay the contracting party a certain percentage of future sales of those products. As at 31 December 2017, the liability associated with these earnout payments was adjusted to reflect the present value of the expected future cash outflows and the difference is presented as a finance expense/income. This balance represents the current portion of the liability and the non-current portion is disclosed in Note 32.

27. Other current liabilities continued

Supply Manufacturing Agreement: As part of the acquisition of West-Ward Columbus, the Group entered into supply and manufacturing contracts with the seller, Boehringer Ingelheim. This balance represents the current portion of the liability and the non-current portion is disclosed in Note 32.

Contingent consideration: This contingent consideration results from the acquisition accounting of West-Ward Columbus and represents future estimated consideration payable to the seller, which is in the form of milestones that are dependent on the achievement of certain US FDA approval targets. As of 31 December 2017, the balance was moved to other non-current liabilities (Note 32).

During the year, the Group paid a total of $nil (2016: $20 million).

Contingent liability: This contingent liability results from the acquisition accounting of West-Ward Columbus and represents a contractual obligation assumed at the time of the acquisition from a third party, which is in the form of royalty payments based on future sales of certain products that are currently under development. As of 31 December 2017, the balance was moved to other non-current liabilities (Note 32).

During the year, the Group paid a total of $nil (2016: $10 million).

28. Long-term financial debts

	As at 31 December	
	2017 $m	2016 $m
Long-term loans	**201**	270
Long-term borrowings (Eurobond)	**496**	495
Less: current portion of long-term loans (Note 24)	**(27)**	(44)
Long-term financial loans	**670**	721
Breakdown by maturity:		
Within one year	**27**	44
In the second year	**139**	29
In the third year	**520**	171
In the fourth year	**4**	519
In the fifth year	**2**	2
In the sixth year	**5**	–
	697	765
Breakdown by currency:		
US Dollar	**673**	746
Euro	**12**	1
Algerian Dinar	**–**	2
Saudi Riyal	**1**	1
Egyptian Pound	**9**	13
Tunisian Dinar	**2**	2
	697	765

The loans are held at amortised cost.

Long-term loans amounting to $2 million (31 December 2016: $3 million) are secured on certain property, plant and equipment.

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

(a) A $500 million (carrying value of $496 million, and fair value of $502 million) 4.25% Eurobond due in April 2020 with the rating of (BB+/Ba1). The proceeds were used to refinance existing debt and to finance part of the cash consideration of the West-Ward Columbus acquisition.

(b) A syndicated revolving credit facility of $1,175 million was entered into on 27 October 2015. The facility has an outstanding balance of $112 million at 31 December 2017 (with a fair value of $112 million) (2016: $145 million with a fair value of $145 million) and a $1,063 million unused available limit (2016: $1,030). The facility matures on 24 December 2019 and can be used for general corporate purposes.

(c) A nine-year $110 million loan from the International Finance Corporation was entered into on 19 December 2011. The loan has an outstanding balance of $54 million at 31 December 2017 with a fair value of $54 million (2016: $74 million with a fair value of $73 million). Quarterly equal repayments of the term loan commenced on 15 November 2013 and will continue until 15 August 2020. The loan has been used to finance acquisitions in the MENA region and MENA's capital expenditure.

(d) A ten-year $150 million loan from the International Finance Corporation was entered into on 21 December 2017. There was no utilisation of the loan as at 31 December 2017. Quarterly equal repayments of the long-term loan will commence on 15 March 2021. The loan will be used in the MENA region and in other World Bank countries of operations for its general corporate purposes.

29. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2017 $m	2016 $m	**2017 $m**	2016 $m
Amounts payable under finance leases:				
Within one year*	**2**	2	**1**	1
In the second to fifth years inclusive	**21**	23	**20**	21
	23	25	**21**	22
Less: Interest lease charges	**(2)**	(3)		
Present value of minimum lease payments payable	**21**	22		

* The current portion of the obligations under finance leases is included within Other Current Liabilities (Note 27).

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is 5 years (2016: 5 years). For the year ended 31 December 2017, the average effective borrowing rate was between 1.87% and 14.00% (2016: between 1.88% and 14.00%).

30. Financial policies for risk management and their objectives

Credit and concentration of risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts, chargebacks, without recourse discounts, and other allowances. A provision for impairment is made where there is an identified loss event, which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds, investments and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

In line with local market practice, customers in the MENA region are offered relatively long payment terms compared to customers in Europe and the US. During the year ended 31 December 2017, the Group's largest two customers in the MENA region represented 6.2% of Group revenue, 3.9% from one customer in Saudi Arabia, and 2.3% from a customer in Algeria. At 31 December 2017, the amount of receivables due from all customers based in Saudi Arabia was $131 million (2016: $113 million), and in Algeria was $67 million (2016: $87 million).

During the year ended 31 December 2017, three key US wholesalers represented 44.3% of Group revenue (2016: 36.1%). The amount of receivables due from all US customers at 31 December 2017 was $293 million (2016: $369 million).

The Group manages this risk through the implementation of stringent credit policies, procedures and certain credit insurance agreements.

Trade receivable exposures are managed locally in the operating units where they arise. Credit limits are set as deemed appropriate for the customer, based on a number of qualitative and quantitative factors related to the creditworthiness of a particular customer. The Group is exposed to a variety of customers ranging from government-backed agencies and large private wholesalers to privately owned pharmacies, and the underlying local economic risks vary across the Group. Typical credit terms in the US range from 30-90 days, in Europe 30-120 days, and in MENA 180-360 days. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance.

Market risk

The Group is exposed to foreign exchange and interest rate risk. The Group's objective is to reduce, where it is appropriate to do so, fluctuations in earnings and cash flow associated with changes in interest rates and foreign currency rates. Management actively monitors these exposures to manage the volatility relating to these exposures by entering into a variety of derivative financial instruments.

30. Financial policies for risk management and their objectives continued

Capital risk management

The Group manages its capital and monitors its liquidity to have reasonable assurance that the Group will be able to continue as a going concern and deliver its growth strategy objectives, whilst reducing its cost of capital and maximising the return to shareholders through the optimisation of the debt and equity mix. The Group regularly reviews the capital structure by considering the level of available capital and the short to medium-term strategic plans concerning future capital spend, as well as the need to meet dividends, banking covenants, and borrowing ratios.

The Group defines capital as equity plus net funds, which include bank overdrafts and loans (Note 24), obligations under finance leases (Note 29), long-term financial debts (Note 28), net of cash and cash equivalents (Note 22), and collateralised and restricted cash (Note 21).

During the year, the Group continued its strategy of obtaining debt financing at both the Group level and at the operating entities level. This enables the Group to borrow at competitive rates and to build relationships with local, regional and international banks and is therefore deemed to be the most effective means of raising finance, while maintaining the balance between borrowing cost, asset and liability management, and balance sheet currency risk management.

In order to monitor the available net funds, management reviews financial capital reports on a monthly basis, in addition to the continuous review by the Group treasury function.

At 31 December 2017, the Group's gearing (Total debt/equity) was 51% (2016: 35%). The increase in the Group's gearing ratio is due to the impact of full year 2017 losses, which reduces total equity with debt remaining fairly stable.

Cash management

The Group manages the deployment of cash balances to predefined limits approved by the Board of Directors under the cash/risk management policy. Per the policy, the Group's excess cash should be held with highly rated global and regional financial institutions. The aim of the policy is to mitigate the risk of holding cash in certain currencies, countries and financial institutions, through a specific threshold. The Group reviews the policy periodically to meet Hikma's risk appetite.

Foreign exchange risk and currency risk

The Group uses the US Dollar as its presentation currency and is therefore exposed to foreign exchange movements primarily in the Euro, Algerian Dinar, Sudanese Pound, Japanese Yen, Egyptian Pound, Tunisian Dinar and Moroccan Dirham. Consequently, where possible, the Group enters into various contracts, which change in value as foreign exchange rates change, to hedge against the risk of movement in foreign denominated assets and liabilities. Due to the lack of open currency markets, the Algerian Dinar, the Sudanese Pound, the Tunisian Dinar, the Moroccan Dirham and the Egyptian Pound cannot be hedged at reasonable cost. Where possible, the Group uses financing facilities denominated in local currencies to mitigate the risks. The Jordanian Dinar and the Saudi Riyal had no impact on the consolidated income statement as those currencies are pegged against the US Dollar.

Currency risks, as defined by IFRS 7, arise on account of financial instruments being denominated in a currency that is other than the functional currency of an entity and being of a monetary nature.

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

	Period end rates		Average rates	
	2017	2016	**2017**	2016
USD/EUR	**0.8319**	0.9500	**0.8848**	0.9053
USD/Sudanese Pound	**20.0000**	15.9490	**16.9779**	12.0919
USD/Algerian Dinar	**114.9402**	110.5274	**110.9802**	109.4432
USD/Saudi Riyal	**3.7495**	3.7495	**3.7495**	3.7495
USD/British Pound	**0.7379**	0.8077	**0.7755**	0.7432
USD/Jordanian Dinar	**0.7090**	0.7090	**0.7090**	0.7090
USD/Egyptian Pound	**17.7936**	18.2482	**17.8891**	10.1112
USD/Japanese Yen	**112.7800**	116.8907	**112.1826**	116.8907
USD/Moroccan Dirham	**9.3574**	10.0699	**9.6800**	9.7920
USD/Tunisian Dinar	**2.4839**	2.3386	**2.4194**	2.1482

30. Financial policies for risk management and their objectives continued

2017	US Dollar $m	Euro $m	Algerian Dinar $m	Japanese Yen $m	Others* $m
			Net foreign currency financial assets/(liabilities)		
Functional currency of entity:					
– Jordanian Dinar	**19**	**28**	**(11)**	**(1)**	**37**
– Euro	**–**	**–**	**–**	**–**	**–**
– Algerian Dinar	**(6)**	**–**	**–**	**–**	**–**
– Saudi Riyal	**39**	**(3)**	**–**	**(4)**	**–**
– Sudanese Pound	**(10)**	**–**	**–**	**–**	**–**
– Egyptian Pound	**(35)**	**(1)**	**–**	**–**	**–**
– Tunisian Dinar	**(2)**	**2**	**–**	**–**	**–**
– Moroccan Dirham	**(1)**	**(5)**	**–**	**–**	**–**
– Lebanese Pound	**(3)**	**–**	**–**	**–**	**2**
– US Dollar	**–**	**–**	**–**	**–**	**1**
	1	**21**	**(11)**	**(5)**	**40**

* Others include Saudi Riyal and Jordanian Dinar.

2016	US Dollar $m	Euro $m	Algerian Dinar $m	Japanese Yen $m	Others* $m
			Net foreign currency financial assets/(liabilities)		
Functional currency of entity:					
– Jordanian Dinar	54	15	(19)	(1)	47
– Euro	(11)	–	–	–	–
– Algerian Dinar	(66)	–	–	–	–
– Saudi Riyal	38	(2)	–	(2)	–
– Sudanese Pound	(13)	–	–	–	–
– Egyptian Pound	(29)	(2)	–	(1)	–
– Tunisian Dinar	(3)	2	–	–	–
– Moroccan Dirham	(2)	(7)	–	–	–
– Lebanese Pound	(2)	–	–	–	–
– US Dollar	–	12	–	–	8
	(34)	18	(19)	(4)	55

* Others include Saudi Riyal and Jordanian Dinar.

A sensitivity analysis based on a 10% movement in foreign exchange rates has no material impact on the Group results and Group statement of changes in equity.

The Group sets certain limits on liquid funds per currency (other than the functional currency of the Group) and per country.

30. Financial policies for risk management and their objectives continued

Interest rate risk

The Group manages its exposure to interest rate risk by changing the proportion of debt that is floating by entering into interest rate swap agreements. As at 31 December 2017 the Group had no outstanding interest rate swap agreements.

	As at 31 December 2017			As at 31 December 2016		
	Fixed rate $m	**Floating rate $m**	**Total $m**	Fixed rate $m	Floating rate $m	Total $m
Financial liabilities						
Interest-bearing loans and borrowings	**515**	**262**	**777**	514	346	860
Financial assets						
Cash and cash equivalents	**–**	**129**	**129**	–	78	78

An interest rate sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2017, with all other variables held constant. Based on the composition of the Group's debt portfolio as at 31 December 2017, a 1% increase/decrease in interest rates would result in a $1 million (2016: $3 million) increase/decrease in finance cost being incurred per year and would not be material to the Group.

Fair Value of Financial assets and liabilities

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following financial assets/liabilities are presented at their carrying value which approximates to their fair value:

- Cash and cash equivalents – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers the carrying amounts to be not significantly different from their fair values
- Short-term loans and overdrafts – approximates to the carrying amount because of the short maturity of these instruments
- Long-term loans – loans with variable rates are re-priced in response to any changes in market rates and so management considers the carrying amount to be not significantly different from their fair market value
- Loans with fixed rates relate to the $500 million Eurobond accounted through amortised cost. The fair value is determined with reference to quoted price in an active market on the balance sheet date (Note 28)
- Over the counter (OTC) derivative contracts may include forward, swap, and option contracts relating to interest rates or foreign currencies and are valued based on level 2 market prices and prevailing exchange rates at the balance sheet date
- Receivables and payables – the fair values of receivables and payables are estimated to be equal to the respective carrying amounts
- Lease obligations – are valued at the present value of the minimum lease payments
- Contingent liability results from the acquisition accounting of the West-Ward Columbus acquisition, which represents a contractual obligation assumed at the time of the acquisition from a third party, is measured at cost (Note 27)

Management classifies items that are recognised at fair value based on the level of inputs used in their fair value determination as described below:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities
- **Level 2:** Inputs that are observable for the asset or liability
- **Level 3:** Inputs that are not based on observable market data

Financial assets and liabilities that fall under Level 1 are:

- Investment designated at fair value amounted to $22 million (Note 23).

Financial assets and liabilities that fall under Level 3 are:

- Co-development and earnout payment agreement (Note 27).
- Contingent consideration receivable resulted from the acquisition accounting of the West-Ward Columbus acquisition (Notes 18, 23, 27 and 32).

30. Financial policies for risk management and their objectives continued

The following table presents the changes in Level 3 items for the period ended 31 December 2017 and the year ended 31 December 2016:

	Financial Assets $m	Financial Liabilities $m
Balance at 1 January 2016	–	25
Additions	1	5
Release	–	(4)
Received/Settlement	(82)	(23)
Acquisition of subsidiaries	118	220
Remeasurement through income statement (Note 5)	2	35
Balance at 31 December 2016	**39**	**258**
Received/Settlement	**(3)**	**(3)**
Remeasurement through income statement (Note 5)	**2**	**(65)**
Additions	**29**	**–**
Balance at 31 December 2017	**67**	**190**

Liquidity risk of assets/(liabilities)

Liquidity risk

2017	Less than one year $m	One to five years $m	More than five years $m	Total $m
Cash and cash equivalents	**227**	**–**	**–**	**227**
Trade receivables	**650**	**–**	**–**	**650**
Interest-bearing loans and borrowings*	**(52)**	**(700)**	**(6)**	**(758)**
Interest-bearing overdrafts*	**(10)**	**–**	**–**	**(10)**
Interest-bearing Import and Export loans*	**(51)**	**–**	**–**	**(51)**
Interest bearing finance lease	**(2)**	**(21)**	**–**	**(23)**
Trade payables and accruals	**(352)**	**–**	**–**	**(352)**
	410	**(721)**	**(6)**	**(317)**

2016	Less than one year $m	One to five years $m	More than five years $m	Total $m
Cash and cash equivalents	155	–	–	155
Trade receivables	699	–	–	699
Interest-bearing loans and borrowings*	(73)	(787)	–	(860)
Interest-bearing overdrafts*	(10)	–	–	(10)
Interest-bearing Import and Export loans*	(64)	–	–	(64)
Interest-bearing finance lease	(2)	(22)	–	(24)
Trade payables and accruals	(329)	–	–	(329)
	376	(809)	–	(433)

* As these are interest bearing liabilities, expected interest expense has been included in the balance.

30. Financial policies for risk management and their objectives continued

The Group regularly monitors all cash, cash equivalents and debt to maintain liquidity needs, this is done by analysing debt headroom and expected cash flows. The Group seeks to be proactive in its liquidity management to avoid any adverse liquidity effect.

At 31 December 2017, the Group had undrawn facilities of $1,534 million (2016: $1,289 million). Of these facilities, $1,256 million (2016: $1,093 million) were committed and the remainder were uncommitted.

31. Derivative financial instruments

Foreign exchange forward contracts

The Group utilises currency derivatives to hedge significant future transactions and cash flows. The Group uses foreign currency forward contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

At the balance sheet date, the Group was not committed to any forward foreign exchange contracts (2016: $6 million foreign exchange forward contract JPY).

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings when necessary. There are no outstanding interest rate swaps as at 31 December 2017 (2016: $nil).

32. Other non-current liabilities

	As at 31 December	
	2017 $m	2016 $m
Contingent consideration (Note 27)	**178**	146
Contingent liability (Note 27)	**109**	80
Supply Manufacturing Agreement (Note 27)	**25**	33
Co-development and earnout payment (Note 27)	**8**	14
Others	**4**	4
	324	277

33. Share capital

Issued and fully paid – included in shareholders' equity:

	2017		2016	
	Number	**$m**	Number	$m
At 1 January	**239,954,532**	**40**	199,385,118	35
Issued during the year (ordinary shares of 10p each)	**724,362**	**–**	40,569,414	5
At 31 December	**240,678,894**	**40**	239,954,532	40

34. Non-controlling interests

	2017 $m	2016 $m
At 1 January	**15**	15
Share of profit	**4**	3
Dividends paid	**(2)**	(1)
Currency translation loss	**(1)**	(3)
Acquisition of subsidiaries	**(2)**	1
At 31 December	**14**	15

35. Own shares

The Employee Benefit Trust ('EBT') of Hikma holds 40,831 (2016: 40,831) Ordinary Shares in the Company. The trustee of the EBT is Link Market Services Trustee Limited, an independent trustee. The market value of the Ordinary Shares held in the EBT at 31 December 2017 was $0.6 million (2016: $1.2 million). The book value of the retained own shares at 31 December 2017 are $0.6 million (2016: $0.6 million). The Ordinary Shares held in the EBT will be used to satisfy long-term commitments arising from the employee share plans operated by the Company.

36. Net cash generated from operating activities

	2017 $m	2016 $m
(Loss)/profit before tax	**(738)**	210
Adjustments for:		
Depreciation, amortisation, impairment, and write-down of:		
Property, plant and equipment	**258**	78
Intangible assets	**983**	68
Loss on disposal of property, plant and equipment	**3**	–
Gain on disposal of intangible assets	**–**	(18)
Movement on provisions	**(1)**	(1)
Cost of equity-settled employee share scheme	**22**	22
Finance income	**(95)**	(12)
Interest and bank charges	**86**	102
Foreign exchange (gain)/loss	**(4)**	19
Release of contingent liability	**–**	(4)
Cash flow before working capital	**514**	**464**
Change in trade and other receivables	**52**	(128)
Change in other current assets	**(28)**	1
Change in inventories	**(31)**	(32)
Change in trade and other payables	**15**	46
Change in other current liabilities	**31**	15
Change in other non-current liabilities	**(7)**	3
Cash generated by operations	**546**	**369**

37. Contingent liabilities

Contingent liability

A contingent liability existed at the balance sheet date in respect of external guarantees and letters of credit totalling $47 million (31 December 2016: $49 million), arising in the normal course of business. No provision for these liabilities has been made in these financial statements.

In 2017 the Group received two subpoenas from a US state attorney general and the US Department of Justice, each requesting information related to certain products, pricing and related communications. Management do not believe sufficient evidence exists to make any provision for this currently.

38. Share-based payments

Executive Incentive Plan

The 2014 Executive Incentive Plan (EIP) was approved by shareholders at the 2014 Annual General Meeting. The EIP is a combined cash bonus (element A), deferred shares (element B) and restricted shares (element C) scheme. Under the EIP, the Company makes grants of conditional awards and $nil cost options under elements B and C to the executive directors and senior executives of the Group. Awards under all elements are dependent on the achievement of individual and Group KPIs over one year prior to grant. The shares awarded under element B are not released for a period of two years during which they are subject to a forfeiture condition. The shares awarded under element C are not released for a period of three years, but are not subject to a forfeiture condition. Members of the Executive Committee must retain 50% of the shares received from elements B and C for a period of five years from the date of grant.

Year 2017	**2017 grants 13 Apr Number**	**2016 grants 11 May Number**	**2016 grants 17 Mar Number**	**2015 grants 15 May Number**	**2015 grants 10 Apr Number**	**Total Number**
Beginning Balance	–	165,553	448,875	118,000	338,808	1,071,236
Granted during the year	613,269	–	–	–	–	613,269
Exercised during the year	–	(3,578)	–	(71,000)	(224,378)	(298,956)
Expired during the year	(4,893)	(12,396)	–	–	–	(17,289)
Outstanding at 31 December	**608,376**	**149,579**	**448,875**	**47,000**	**114,430**	**1,368,260**
Exercisable at 31 December	–	–	–	–	17,386	17,386

Year 2016	2016 grants 11 May Number	2016 grants 17 Mar Number	2015 grants 15 May Number	2015 grants 10 Apr Number	Total Number
Beginning Balance	–	–	118,000	338,808	456,808
Granted during the year	165,553	448,875	–	–	614,428
Outstanding at 31 December	165,553	448,875	118,000	338,808	1,071,236

The cost of the EIP of $16 million (2016: $13 million) has been recorded in the consolidated income statement as part of general and administrative expenses.

The fair value per share is the face value of shares on the date of grant.

The weighted average share price for 2017 is $20.03 (2016: $27.84).

	Date of grant	Number granted	The estimated fair value of each share option granted $	The share price at grant date $
EIP's 1	10/04/2015	338,808	33.24216	33.24216
EIP's 2	15/05/2015	118,000	33.11449	33.11449
EIP's 3 B	17/03/2016	242,608	26.97918	26.97918
EIP's 3 C	17/03/2016	206,267	26.97918	26.97918
EIP's 4	11/05/2016	165,553	32.15333	32.15333
EIP's 5 B	13/04/2017	428,528	23.97771	23.97771
EIP's 5 C	13/04/2017	184,741	23.97771	23.97771

The exercise price of the share award is $nil.

38. Share-based payments continued

Management Incentive Plan

The 2009 Management Incentive Plan ('MIP') was approved by shareholders at the 2010 Annual General Meeting, whereby shareholders consented to the Company satisfying awards under the MIP from newly issued shares. Under the MIP, the Company makes grants of conditional awards to management across the Group below senior management level. Awards are dependent on the achievement of individual and Group KPIs over one year and are then subject to a two-year holding period. The 2009 MIP awards were made at the start of the KPI performance period, whereas the 2011 awards and future awards will be made at the end of the KPI performance period.

Details of the grants under the plan are shown below:

Year 2017	2017 grants 19 May Number	2016 grants 11 May Number	2015 grants 14 May Number	2014 grants 11 Jun Number	2013 grants 17 May Number	Total Number
Outstanding at 1 January	–	192,725	132,442	12,632	9,973	347,772
Granted during the year	273,724	–	–	–	–	273,724
Exercised during the year	–	–	(121,879)	(4,483)	(5,186)	(131,548)
Expired during the year	(14,625)	(19,000)	–	–	–	(33,625)
Outstanding at 31 December	**259,099**	**173,725**	**10,563**	**8,149**	**4,787**	**456,323**

Year 2016	2016 grants 11 May Number	2015 grants 14 May Number	2014 grants 11 Jun Number	2013 grants 17 May Number	Total Number
Outstanding at 1 January	–	140,594	214,009	9,973	364,576
Granted during the year	196,373	–	–	–	196,373
Exercised during the year	–	–	(190,400)	–	(190,400)
Expired during the year	(3,648)	(8,152)	(10,977)	–	(22,777)
Outstanding at 31 December	192,725	132,442	12,632	9,973	347,772

The cost of the MIP of $6 million (2016: $6 million) has been recorded in the consolidated income statement as part of general and administrative expenses.

The fair value per share is the face value of shares on the date of grant less the present value of dividends expected to be paid during this period. Valuation is based on Black-Scholes methodology for nil-cost options.

The weighted average share price for 2017 is $20.03 (2016: $27.84).

	Date of grant	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected dividends yield %
MIP's 1	19/03/2009	340,000	4.89	5.11	1.47
MIP's 2	28/03/2010	147,561	9.15	9.36	1.15
MIP's 3	11/05/2011	356,894	12.96	13.23	1.00
MIP's 4	18/05/2012	412,056	9.47	9.72	1.29
MIP's 5	17/05/2013	252,482	14.61	14.93	1.10
MIP's 6	11/06/2014	225,904	27.73	28.33	0.71
MIP's 7	11/05/2015	145,918	32.17	32.63	7.08
MIP's 8	11/05/2016	196,373	31.73	32.20	0.73
MIP's 9	19/05/2017	273,724	22.09	22.54	1.01

The exercise price of the share award is $nil.

38. Share-based payments continued

Long-Term Incentive Plan

The 2007 Long-Term Incentive Plan ('LTIP') was approved by shareholders at the 2007 Annual General Meeting and the last grant was made under the LTIP during the year ended 31 December 2014. The LTIP is settled by equity instruments, with 15 separate grant dates. Under the LTIP, conditional awards and $nil cost options were granted which vest after three years subject to total shareholder return (TSR), revenue growth, earnings per share and return on invested capital performance conditions. The TSR condition measures the Group's TSR relative to a comparator group of other pharmaceutical companies. The TSR vesting schedule dictates that 20% of awards vest for median performance and 100% for upper quartile performance, with pro-rata vesting in between these points. No awards vest for performance, which is below the median. The threshold and maximum performance requirements for the revenue growth, earnings per share and return on invested capital performance conditions are detailed in page 99 of the remuneration report and are measured against the audited financial statements for the closest three-year financial period to the grant and vesting dates.

Details of the grants under the plan are shown below:

Date of grants	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected volatility	Expected dividend yield	Risk-free interest rate
3-Dec-2014	5,899	23.28	31.39	25.40%	0.71%	1.28%
11-Jun-2014	151,429	23.47	28.62	25.40%	0.71%	1.28%
29-May-2014	109,000	22.67	27.63	27.00%	0.73%	1.15%
3-Apr-2014	89,727	23.25	27.73	26.00%	0.72%	1.17%
6-Nov-2013	20,802	15.18	19.41	26.00%	0.89%	0.89%
17-May-2013	470,683	11.00	14.92	26.40%	1.10%	0.45%
16-Mar-2012	547,780	8.65	11.43	30.31%	1.14%	0.67%
18-Mar-2011	646,054	9.00	11.74	37.04%	1.11%	1.65%
22-Mar-2010	730,253	6.97	9.00	37.18%	1.20%	1.88%
19-May-2009	200,000	3.89	6.67	38.98%	1.22%	1.92%
19-Mar-2009	920,000	2.94	5.11	38.98%	1.47%	1.88%
29-Apr-2008	700,000	5.46	9.22	31.47%	0.08%	4.50%
10-Sep-2007	150,000	4.70	8.28	34.64%	0.08%	5.00%
23-Apr-2007	466,000	4.47	7.69	34.64%	0.08%	5.45%
2-Apr-2007	160,000	4.33	7.46	34.64%	0.08%	5.40%

All long-term incentive plans have ten years contractual life and vest after three years.

The estimated fair value of each share option granted in the LTIP was calculated by applying the Monte Carlo simulation methodology. For awards made from 2011, 50% of the award is subject to a TSR performance condition which was valued by applying the Monte Carlo simulation methodology, the remaining 50% of the award is subject to financial metrics which are valued by applying the Black-Scholes model. For further details see the remuneration committee report.

The exercise price of the share award is $nil.

38. Share-based payments continued

Further details on the number of shares granted are as follows:

Year 2017	2014 grants 03 Dec Number	2014 grants 14 June Number	2014 grants 29 May Number	2014 grants 3 Apr Number	2013 grants 6 Nov Number	2013 grants 17 May Number	2012 grant 16 March Number	2007 grants 23 April Number	Total Number 423,668
Outstanding at 1 January	**5,899**	**151,429**	**109,000**	**84,954**	**5,180**	**31,986**	**22,220**	**13,000**	**423,668**
Exercised during the year	**(4,885)**	**(104,914)**	**(90,252)**	**(70,342)**	**(4,485)**	**(4,637)**	**–**	**(13,000)**	**(292,515)**
Expired during the year	**(1,014)**	**(21,795)**	**(18,748)**	**(14,612)**	**(695)**	**(718)**	**–**	**–**	**(57,582)**
Outstanding at 31 December	**–**	**24,720**	**–**	**–**	**–**	**26,630**	**22,220**	**–**	**73,570**
Exercisable at 31 December	**–**	**24,720**	**–**	**–**	**–**	**26,630**	**22,220**	**–**	**73,570**

Year 2016	2014 grants 03 Dec Number	2014 grants 14 June Number	2014 grants 29 May Number	2014 grants 3 Apr Number	2013 grants 6 Nov Number	2013 grants 17 May Number	2012 grant 16 March Number	2007 grants 23 April Number	Total Number
Outstanding at 1 January	5,899	151,429	109,000	84,954	20,802	431,876	27,820	13,000	844,780
Exercised during the year	–	–	–	–	(13,529)	(346,295)	(5,600)	–	(365,424)
Expired during the year	–	–	–	–	(2,093)	(53,595)	–	–	(55,688)
Outstanding at 31 December	5,899	151,429	109,000	84,954	5,180	31,986	22,220	13,000	423,668
Exercisable at 31 December	–	–	–	–	5,180	31,986	22,220	13,000	72,386

A true up of $1 million has been credited to the consolidated income statement as part of the general and administrative expenses (2016: $3 million charged to profit and loss).

The weighted average share price for 2017 is $20.03 (2016: $27.84).

39. Operating lease arrangements

	2017 $m	2016 $m
Minimum lease payments under operating leases recognised in profit or loss for the year	**9**	7

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 $m	2016 $m
Within one year	**9**	8
In two to five years inclusive	**22**	23
After five years	**13**	18
	44	49

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for a term of one to eight years.

40. Related parties

Transactions between Hikma Pharmaceuticals PLC ('Hikma') and its subsidiaries (together, the 'Group') have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates, joint ventures and other related parties are disclosed below.

Trading transactions:

During the year ended 31 December 2017, the Group entered into the following transactions with related parties:

Boehringer Ingelheim GmbH ('BI'): is a related party of Hikma because BI owns 16.6% (2016: 16.7%) of the share capital of Hikma, controls 11.7% (2016: 11.7%) of the voting capital of Hikma, has the right to appoint a director of Hikma and a senior executive of BI holds a directorship of Hikma. During the year, the Group acquired six products from BI which amounted to an aggregate consideration of $3.0 million, the Group total sales to BI amounted to $79.1 million (2016: $90.1 million) and the Group total purchases from BI amounted to $10.6 million (2016: $10.3 million). As at the year end, the amount owed from BI to the Group was $43.8 million (2016: $45.2 million). Additionally, balances arising from the acquisition of West-Ward Columbus from BI relating to contingent consideration are disclosed in Notes 18, 23, 27, 30 and 32.

Capital Bank, Jordan: is a related party of Hikma because one director of Hikma is the founder and former Chief Executive Officer of Capital Bank. At the year end, total cash balance at Capital Bank was $11.8 million (2016: $11.3 million) and utilisation of facilities granted by Capital Bank to the Group amounted to $nil (2016: $8.3 million). The interest expense/income is within market rate.

Darhold Limited ('Darhold'): is a related party of Hikma because three directors of Hikma jointly constitute the majority of directors and shareholders (with immediate family members) in Darhold and because Darhold owns 24.93% (2016: 25.00%) of the share and voting capital of Hikma. Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited during the year.

HikmaCure Limited ('HikmaCure'): is a related party of Hikma because HikmaCure is a 50:50 joint venture (JV) with MIDROC Pharmaceuticals Limited ('MIDROC'). Hikma and MIDROC have invested in HikmaCure in equal proportions of $2.5 million each in cash (2016: $2.5 million). During 2017 Hikma and MIDROC have agreed not to proceed with and to liquidate the venture. During the year, HikmaCure granted two loans of $2.3 million each to the Group and MIDROC.

HMS Holdings SAL ('HMS): is a related party of Hikma because HMS is owned by the family of two directors of Hikma. Other than dividends (as paid to all shareholders), there were no transactions between the Group and HMS during the year.

Hubei Haosun Pharmaceutical Co. Ltd ('Haosun'): is a related party of Hikma because the Group holds a non-controlling interest of 30.1% (2016: 30.1%) in Haosun. During 2017, total purchases from Haosun were $1.4 million (2016: $0.4 million). At 31 December 2017, the amount owed from Hubei Haosun Pharmaceutical to the Group amounted to $1.6 million (2016: $1.7 million). On 13 February 2018, Hikma acquired an additional stake in Hubei Haosun Pharmaceutical Co. Ltd bringing the total ownership to 49% (Note 43).

Labatec Pharma ('Labatec'): is a related party of the Group because Labatec is owned by the family of two directors of Hikma. During 2017, total Group sales to Labatec amounted to $1.8 million (2016: $1.4 million). As at the year end, the amount owed by Labatec to the Group was $0.3 million (2016: $0.3 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 86 to 108.

	2017 $m	2016 $m
Short-term employee benefits	**11.0**	14.2
Share-based payments	**10.2**	11.5
Post-employment benefits	**10.3**	–
Other benefits	**0.6**	0.3
	32.1	26.0

41. Subsidiaries, associate and joint venture

The subsidiaries, associate and joint venture of Hikma Pharmaceuticals PLC are as follows:

			Owned by the Group		*Owned by PLC 'the Company'*	
Company's name	**Incorporated in**	**Address of the registered office**	**Ownership % Ordinary shares At 31 December 2017**	**Ownership % Ordinary shares At 31 December 2016**	**Ownership % Ordinary shares At 31 December 2017**	**Ownership % Ordinary shares At 31 December 2016**
Al Jazeera Pharmaceutical Industry S.A.R.L	Algeria	Zone d'Activité, Propriété N° 379 Section N° 04 Staoueli, Algeria	99%	99%	–	–
Algerie Industrie Mediterraneene Du Medicament S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	91%	91%	–	–
Hikma Pharma Algeria S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	100%	100%	–	–
SPA Al Dar Al Arabia pour la Fabrication de Médicaments	Algeria	Zone d'Activité El Boustane N° 78, Sidi Abdellah, Al Rahmania, Algeria	100%	100%	–	–
Hubei Haosun Pharmaceutical Co Ltd	China	No 20 Juxian Road, Gedian Economic and Technology Development Area, Hubei, China	30%	30%	–	–
Hikma for Importation Co. LLC	Egypt	12 El-Esraa Street, El-Mohandeseen, Lebanon Square, Giza, Egypt	99%	99%	–	–
Hikma Pharma S.A.E*	Egypt	12 El-Esraa Street, El-Mohandeseen, Lebanon Square, Giza, Egypt	100%	100%	–	–
Hikma Pharmaceuticals Industries S.A.E	Egypt	16 Ahmed Hosny Street, First Zone, Naser City, Cairo, Egypt	100%	100%	–	–
Hikma Specialised Pharmaceuticals (S.A.E)	Egypt	10 D, 11 D, Industrial Zone, Badr City, Cairo, Egypt	98%	98%	–	–
HikmaCure Pharmaceuticals Share Company	Ethiopia	Addis Ababa, Bole Sub City, Kebele 16, Woreda, Ethiopia	50%	50%	–	–
Hikma Pharma GmbH	Germany	Lochhamer Strasse 13, 82152, Martinsried, Germany	100%	100%	–	–
Thymoorgan GmbH*	Germany	Schiffgraben 23, DE-38690, Goslar, OT Vienenburg, Deutchland	100%	100%	–	–
Thymoorgan Pharmazie GmbH	Germany	Schiffgraben 23, DE-38690, Goslar, OT Vienenburg, Deutchland	100%	100%	–	–
Hikma Finance (Ireland) Limited	Ireland	2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland	100%	100%	–	–
Hikma Italia S.p.A	Italy	Viale Certosa 10, 27100, Pavia, Italy	100%	100%		
Hikma Pharma Limited*	Jersey	47 Esplanade, St Helier, JE1 0BD, Jersey	100%	100%	100%	100%
Arab Medical Containers LLC*	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	100%	100%	–	–
Arab Pharmaceutical Manufacturing PSC*	Jordan	Al Buhaira – Salt, P.O. Box 42, Jordan	100%	100%		
Future Pharmaceutical Industries LLC	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	100%	100%	–	–
Hikma International Pharmaceuticals LLC (Exempt)	Jordan	122 Queen Zain AlSharaf Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%	–	–
Hikma International Ventures and Development LLC (Exempt)	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma Investment LLC*	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma Pharmaceuticals LLC*	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma United Renewable Energy	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
International Pharmaceutical Research Centre LLC	Jordan	P.O. Box 963166, Amman, 11196, Jordan	51%	51%	–	–

41. Subsidiaries, associate and joint venture continued

Company's name	Incorporated in	Address of the registered office	*Owned by the Group* Ownership % Ordinary shares At 31 December 2017	*Owned by the Group* Ownership % Ordinary shares At 31 December 2016	*Owned by PLC 'the Company'* Ownership % Ordinary shares At 31 December 2017	*Owned by PLC 'the Company'* Ownership % Ordinary shares At 31 December 2016
Sofia Travel and Tourism	Jordan	Mustafa Semreen Complex Building No. 29, Jamal Qaytoqa Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%	–	–
Specialised for Pharmaceutical Industries LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%	–	–
Hikma CIS JSC	Kazakhstan	Apt. 1, House 7, Building-28, 'Keremet' Microdistrict, Bostandykskiy District, Almaty,A15C8X2, Kazakhstan	100%	100%	–	–
Hikma Pharmaceuticals Co. Ltd., Almaty (Kazakhtan) Representative Office	Kazakhstan	Apt. 1, House 7, Building-28, 'Keremet' Microdistrict, Bostandykskiy District, Almaty,A15C8X2, Kazakhstan	100%	100%	–	–
Hikma Liban S.A.R.L.	Lebanon	Saria Building, Ground Floor, Embassies Street, Bir Hassan, Beirut, Lebanon	67%	67%	–	–
Hikma Finance (Luxembourg) SARL	Luxembourg	20 rue des Peupliers, L-2328 Luxembourg	100%	100%	–	–
Société de Promotion Pharmaceutique du Maghreb (Promopharm S.A.)*	Morocco	Zone Industrielle du Sahel, Rue N. 7, Had Soualem, Province de Settat, Morocco	94%	94%		
Hikma International N.V	Netherlands	Luna Arena, Herikerberweg 238, 1101 CM, Amsterdam Zuidoost, Netherlands	100%	100%	100%	100%
Hikma Pharma Benelux B.V	Netherlands	Nieuwe Steen 36, 1625 HV, Hoorn, Netherlands	100%	100%	–	–
Eurohealth N.V	Netherlands Antilles	Pareraweg 45, P.O. Box 4914, Curacao, (Netherlands Antilles)	100%	100%	–	–
Hikma Farmaceutica, (Portugal) S.A	Portugal	Estrada Rio Da Mo no.8, 8a, 8B-Fervenca, 2705-906, Terugem SNT, Portugal	100%	100%	–	–
Lifotec Farmaceutica S.G.P.S S.A*	Portugal	Estrada Nacional 9, Fervença, São João das Lampas e Terrugem, Sintra, Portugal	100%	100%	–	–
Al Jazeerah Pharmaceutical Industries Ltd*	Saudi Arabia	Riyadh Gallery, Olaya Street, P.O. Box 106229, Riyadh-11666, Kingdom of Saudi Arabia	100%	100%	52.5%	52.5%
Hikma Slovakia s.r.o	Slovakia	Seberíniho 1, 821 03 Bratislava, Slovakia	100%	100%	–	–
Pharma Ixir Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	51%	51%	–	–
Savannah Pharmaceutical Industries Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	100%	100%	–	–
Eurohealth International S.A.R.L.	Switzerland	Rue des Battoirs 7, 1205 Genève, Switzerland	100%	100%	100%	100%
APM Tunisie S.A.R.L.	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage, 2035, Tunisia	99%	99%	–	–
STE D'Industriee Pharmaceutique Ibn Al Baytar*	Tunisia	11 Rue 8610 Charguia 1-2035 Tunis-Carthage, Tunisia	100%	66%	–	–
STE Hikma Pharma Tunisie	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage 2035, Tunisia	100%	100%	–	–
STE Medicef	Tunisia	Avenue Habib Bourguiba, Sidi Thabet, 2020 Ariana, Tunisia	100%	100%	–	–
Hikma Emerging Markets and Asia Pacific FZ-LLC	United Arab Emirates	Premises 202-204, Floor 2, Building 26, Dubai, United Arab Emirates	100%	100%	100%	100%

41. Subsidiaries, associate and joint venture continued

Company's name	Incorporated in	Address of the registered office	*Owned by the Group* Ownership% Ordinary shares At 31 December 2017	*Owned by the Group* Ownership % Ordinary shares At 31 December 2016	*Owned by PLC 'the Company'* Ownership % Ordinary shares At 31 December 2017	*Owned by PLC 'the Company'* Ownership % Ordinary shares At 31 December 2016
Hikma International Trading Limited	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%	100%	100%
Hikma MENA Holdings Limited*	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%	100%	100%
Hikma (Maple) Limited	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Hikma Acquisitions (UK) Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	100%	100%
Hikma Holdings (UK) Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Hikma UK Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Hikma Ventures Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	100%	100%
HikmaCure Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	50%	50%	–	–
West-Ward Holdings Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
West-Ward Pharmaceuticals International Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%	–	–
Bedford Property Holdings, Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle, DE 19802, United States	100%	100%	–	–
Eurohealth (U.S.A.) Inc*	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle, DE 19802, United States	100%	100%	–	–
Hikma Americas, Inc.	United States	C T Corporation System, 800 S Gay Street, Suite Knoxville TN 2021 37929-9710, United States	100%	100%	–	–
Roxane Laboratories, Inc.	United States	Corporation Trust Company of Nevada 701 S Carson Street Suite 200, Carson City, NV 89701, United States	100%	100%	–	–
West-Ward Columbus Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%	–	–
West-Ward Injectables, Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%	–	–
West-Ward Pharmaceuticals Corp	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%	–	–

The investments in subsidiaries are all stated at cost in PLC 'the Company', while accounted for using the equity method in the Group.

The investments in associates and joint ventures are accounted for using the equity method in the Group (Note 16).

The Group's subsidiaries principally operate in trading pharmaceuticals products and associated goods and services. Companies marked (*) were incorporated as holding companies.

42. Defined contribution retirement benefit plan

Hikma Pharmaceuticals PLC has defined contribution retirement plans in five of its subsidiaries: Hikma Pharmaceuticals PLC – United Kingdom, Hikma Pharmaceuticals LLC (Jordan), Arab Pharmaceutical Manufacturing PSC, West-Ward Pharmaceuticals Corp and West-Ward Columbus Inc. The details of each contribution plan are as follows:

Hikma Pharmaceuticals PLC – United Kingdom

The Group currently has a defined contribution pension plan available for staff working in the United Kingdom whereby the Group contributes 10% of basic salary. Employees are immediately entitled to 100% of the Group's contributions. The Group's contributions for the year ended 31 December 2017 were $0.2 million (2016: $0.2 million).

Hikma Pharmaceuticals LLC – Jordan

The Group currently has an employee savings plan whereby the Group fully matches employees' contributions, which are fixed at 10% (up to 2011, the level was 5%) of basic salary. Employees are entitled to 30% of the Group contributions after three years of employment with the Company and an additional 10% for each subsequent year. Employees are entitled to 100% of the Company contributions after ten years of employment with the Company. The Group's contributions for the year ended 31 December 2017 were $3 million (2016: $2 million).

Arab Pharmaceutical Manufacturing PSC – Jordan

The Group currently has an employee saving plan whereby the employees contribute at 10%, and the company at 15% of basic salary. After three years of employment with the Company, employees are entitled to 100% of the Company contributions. The Group's contributions for the year ended 31 December 2017 were $1 million (2016: $1 million).

West-Ward Pharmaceuticals Corp: (401 (k) salary saving plan)

West-Ward Pharmaceutical Corp. has a 401(k)-defined contribution Plan, which allows all eligible employees to defer a portion of their income through contributions to the Plan. All employees not covered by any collective bargaining agreement are eligible after being employed for 90 days. Employees can defer up to 95% of their gross salary into the Plan, not to exceed $18,000 (2016: $18,000), 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 after three years of service. Employees are considered to have completed one year of service for the purposes of vesting upon the completion of 1,000 hours of service at any time during a Plan year. Employer contributions to the Plan for the year ended 31 December 2017 were $3 million (2016: $3 million). The assets of both retirement Plans are held separately from those of the Group. The only obligation of the Group with respect to both retirement benefit Plans is to make specified contributions.

West-Ward Columbus Pharmaceuticals Inc: (401 (k) salary saving plan)

West-Ward Columbus Pharmaceutical Corp has a 401(k)-defined contribution Plan, which allows all eligible employees to defer a portion of their income through contributions to the Plan. Employees can defer up to 95% of their gross salary into the Plan, not to exceed $18,000 (2016: $18,000), not including catch-up contributions available to eligible employees as outlined by the Internal Revenue Service. The Company matches 100% on first 5% of the employees' eligible contribution. Employer contributions vest after six years of service. Employees are considered to have completed one year of service for the purposes of vesting upon the completion of 1,000 hours of service at any time during a Plan year. Employer contributions to the Plan for the year ended 31 December 2017 were $8 million (2016: $8 million). The assets of both retirement Plans are held separately from those of the Group. The only obligation of the Group with respect to both retirement benefit Plans is to make specified contributions.

43. Subsequent Events

On 13 February 2018, Hikma acquired an additional stake in Hubei Haosun Pharmaceutical Co. Ltd bringing the total ownership to 49%.

PRINCIPAL PLACE OF BUSINESS OF THE ISSUER

Hikma Finance USA LLC
246 Industrial Way West
Eatontown, New Jersey 07724
United States

PRINCIPAL PLACES OF BUSINESS OF THE GUARANTORS

Al Jazeerah Pharmaceutical Industries Ltd
Riyadh Gallery, Olaya Street
P.O Box 106229, Riyadh-11666
Kingdom of Saudi Arabia

Arab Pharmaceutical Manufacturing PSC
Albuhaira, PO Box Salt 42
Amman
Jordan

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