Hikma Pharmaceuticals (HIK)

Equity Research Report
Initiation of Coverage

ABC Investments

P.O. Box 930059, Amman 11193, Jordan
Tel. + 962 (0) 6 5629300,
Fax. + 962 (0) 6 5682941
www.abci.com.jo
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ABC Investments

Hikma Pharmaceuticals (HIK)

Pharmaceutical Sector

24 May 2009

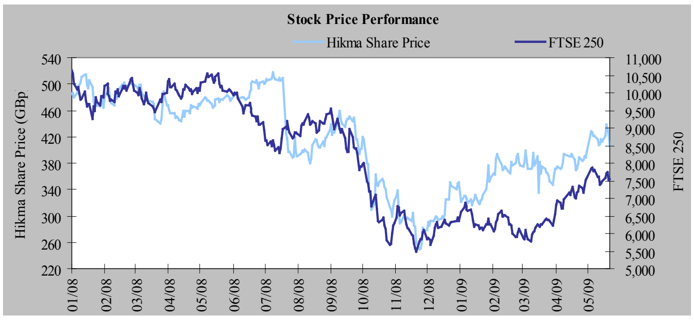
Initiation of Coverage

HOLD

Current Price 406.25p / 12-Month Fair Value 437.7p

Share Information	
Ticker	HIK
Exchange	London Stock Exchange
Closing Price*	406.25p
52-Week High	520.0p
52-Week Low	225.0p
Year-on-Year % Change	(14.7%)
Year-to-Date % Change	16.1%
Market Cap (GBP million)	771.80

* Price as of May 24th 2008



Key Ratios	
P/E (Trailing)	21.4x
P/E (Forward)*	16.2x
P/BV	2.0x
ROAA	6.1%
ROAE	11.2%
Diluted EPS (cents)	29.6
Dividends per Share (cents)	7.5

Based on a current market price of GBp 406.25, Hikma is trading at a trailing P/E and P/BV of 21.4x and 2.0x, respectively, based on its 2008 financial results. Going forward, Hikma is forecasted to register a before-tax bottom line of USD 90.35 million and a net income before minority interest of USD 77.32 million, giving a forward P/E and P/BV of 16.2x and 1.8x.

Our estimated fair value for the Hikma stock, using two peer-based multiples valuation methods and the discounted cash flow method, is GBp 437.7 per share, offering an upside potential of 7.7% over its current price. Therefore, we initiate our coverage of Hikma with a HOLD recommendation.

- The Group's bottom line registered an 11.0% decline during 2008, dropping from USD 64.19 million in 2007 to USD 57.12 million, while since 2004 Hikma's net profits before minority interests have grown at a compounded annual growth rate (CAGR) of 10.6%.

- Sales registered an impressive 29.4% increase during 2008, reaching USD 580.7 million. The branded business sales grew organically by 22% and by 61% overall, while injectables revenues grew organically by 14% and on including the effect of acquisitions by 23%. Meanwhile, the generics business witnessed a 15% decline in sales, attributed to heightened competition and pricing pressures in the U.S. market.

- Hikma's total assets increased to USD 551.25 million in 2008 while its liabilities and shareholders' equity reached USD 357.46 million and USD 603.21 million, respectively.

- Hikma placed 17 million new ordinary shares of 10 pence each during January 2008 at a price of 480 pence, thereby raising funds of GBP 81.6 million, utilising to pay down a portion of its outstanding debt.

- Hikma announced a final dividend of 4 cents per share, giving a total dividend for 2008 of 7.5 cents.

Key Financial Information (USD '000)	2009F	2010F	2011F	2012F	2013F
Operating Profit	105,770	128,914	146,821	160,898	187,885
Profit before Tax and Minority Interest	90,348	111,775	127,731	139,411	163,639
Profit after Tax and before Minority Interest	77,323	95,661	109,317	119,313	140,048
Total Assets	1,083,813	1,214,308	1,366,299	1,537,627	1,735,708
Shareholders' Equity	669,482	750,794	843,713	945,129	1,064,170
ROAA	7.5%	8.3%	8.5%	8.2%	8.6%
ROAE	12.2%	13.5%	13.7%	13.3%	13.9%

Research Department

Tanya Khammash, CVA
Head of Equity Research Department
tanyak@abci.com.jo

Zein Alkhas
Equity Research Analyst
zeina@abci.com.jo

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1.0 ECONOMIC OVERVIEW

The global presence of pharmaceutical companies, as is the case with Hikma Pharmaceuticals, means that the pharmaceutical industry is exposed to economic developments on a global scale. Recent developments in the world economy, triggered by the recession in the United States and the financial crisis, which has spilled over to other developed countries, has led to contagion effects through international trade and finance impacting on economies of developing countries. The continued stream of news of multinational companies in crisis, alongside turmoil in stock markets across the world, continues to bode badly for the global economy, dashing any hopes of a quick turnaround in consequence to announcements of central banks injecting liquidity into markets and bailing out financial institutions.

Credit crunch and financial crisis in the U.S. spread to other areas around the world...

Central Banks have been undertaking aggressive monetary policy actions, cutting interest rates to significantly low levels, recapitalising banks with public funds, and insuring bank deposits. However, these efforts have so far failed to have any bearing on the global slowdown. Consumer confidence has all but eroded, pushing up costs of borrowing, and leading to a reversal of capital inflows ,brought on by declines in interbank lending and cross-border equity investments. Moreover, money and commodity markets remain volatile, with sharp day-to-day fluctuations and an unclear path for the markets going forward.

... and monetary policy actions and bailouts are failing to curb the global economic downturn

The United Nations announced expectations of a "synchronised global downturn" in 2009, with recessions expected in the world's leading economies, and deceleration in growth in emerging and developing markets. Meanwhile, the World Bank reduced its expectations for GDP growth to 0.9% and projected a 2.1% contraction in world trade volume.

	2004	2005	2006	2007	2008E	2009F		
						Baseline	Pessimistic	Optimistic
World Output	4.0	3.5	4.0	3.8	2.5	1.0	(0.4)	1.6
Developed Economies	3.0	2.4	2.9	2.5	1.1	(0.5)	(1.5)	0.2
U.S.	3.6	2.9	2.8	2.0	1.2	(1.0)	(1.9)	(0.5)
Euro Zone	2.1	1.7	2.8	2.6	1.1	(0.7)	(1.5)	0.3
Japan	2.7	1.9	2.4	2.1	0.4	(0.3)	(0.6)	0.5
Economies in Transition	7.6	6.5	7.8	8.3	6.9	4.8	2.7	6.1
Developing Economies	7.1	6.7	7.0	7.1	5.9	4.6	2.7	5.1
China	10.1	10.2	11.1	11.4	9.1	8.4	7.0	8.9
India	7.1	11.5	7.3	8.9	7.5	7.0	4.7	7.5
Brazil	5.7	2.9	3.7	5.4	5.1	2.9	0.5	3.0
Mexico	4.2	3.0	4.8	3.2	2.0	0.7	(1.2)	1.5

Source: United Nations - World Economic Situation and Prospects 2009

Global economy is expected to grow by 1% in 2009, with developed economies experiencing negative growth

Best-case scenario expectations predict that the global economy will begin to recover during the second half of 2009. However, more pessimistic views see the damaging effects of the financial crisis and credit crunch having a longer-term effect.

Corresponding to the steep drop in commodity prices, alongside weakening demand brought on by reduced consumer spending, rising unemployment, and constrained bank lending, and allowing for a lag effect, inflation is expected to continue to decline next year.

While the pharmaceutical industry is ultimately an industry resistant to recession due to its output being, for some, a necessity, it is nonetheless exposed to the cyclicality of economic growth; National health care is paid for by tax revenues, or in some cases, as part of employee expenses. Typically, a slowdown in economic growth leads to reduced government resources available to fund healthcare expenditure. Moreover, in bad times, companies tend to favour cash over investment

Pharmaceuticals, although a defensive industry, will still be exposed to the economic downturn under the notion that "cash is king", leading to a slump in R&D activity, further exposing the industry to cyclicality from pharmaceutical drug life cycles. A company with a drug whose patent is due to expire is vulnerable to competition from generic companies which will eat into the company's current revenue base.

2.0 PHARMACEUTICAL INDUSTRY OVERVIEW

The pharmaceutical sector plays a vital role in impacting on health, government and household spending, in addition to its effect on the overall economy of a country. For Jordan, pharmaceuticals are an important player as one of its main export commodities, and this importance has been rising over the years.

Pharmaceuticals contribute 8% to Jordan's domestic exports

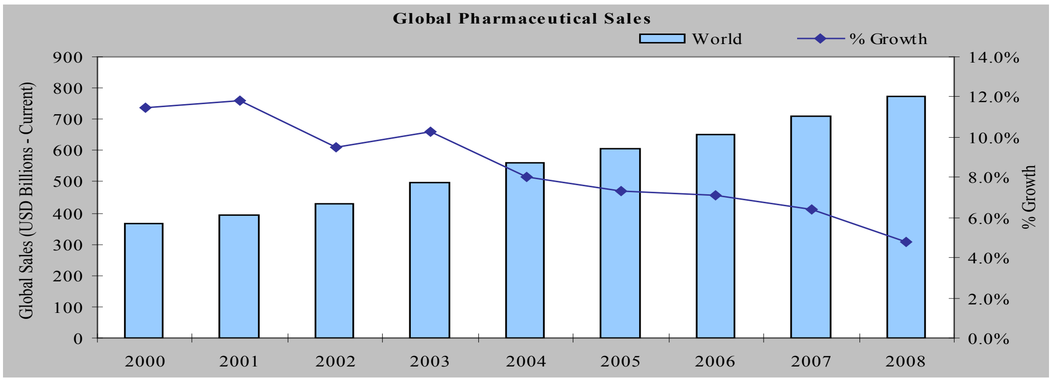
(in USD '000)	2003	2004	2005	2006	2007	2008
Medical & Pharmaceutical Exports	130,971	158,452	198,624	210,785	300,131	353,097
Growth (%)	(8.3%)	21.0%	25.4%	6.1%	42.4%	17.6%
Contribution to Total Exports (%)	7.8%	6.9%	7.7%	7.2%	9.4%	8.1%

Source: Central Bank of Jordan

The Pharmaceutical industry is one that is subject to many forces, including government regulations, changes in technology, politics and economic growth. The growth and development of the industry is affected by governments, the medical community, the public, drug wholesalers and pharmaceuticals, to name a few. Each of these players is subject to influences such as the rising cost of health care, downward pressure on drug prices, increasing governmental intervention and regulation, and technological challenges.

Healthcare spending has been growing rapidly on a global level, as governments become increasingly aware of the need to treat diseases early to avoid more expensive costs later on.

In developing countries, pharmaceuticals make up a significant proportion of private payments by individual patients, and this phenomenon is coupled with low penetration rates of health insurance.



Source: IMS Health

Pharmaceutical sales have grown consistently but at a decelerating pace...

... with global sales growth expected to decelerate to 2.5%-3.5% in 2009 to USD 750 billion

Global pharmaceutical sales have been growing consistently during the past few years to reach USD 773 billion in 2008. The growth, however, has been at a decelerating rate since 2003, and is expected to decline further to 2.5%-3.5% on a constant dollar basis in 2009. Estimates by IMS Health in its "IMS Global Pharmaceutical and Therapy Forecast" project global sales in excess of USD 750 billion in 2009, sustained primarily by growth in sales in emerging markets, albeit down from the previous forecast of USD 820 billion. The decline in forecasted sales by IMS Health has been attributed both to currency fluctuations and an overall deceleration of pharmaceutical sales. The impact of the global economic slowdown is expected to affect the pharmaceutical industry negatively, although to a lesser extent than other industries due to the defensive nature of the industry. However, the correlation between GDP growth, consumer spending and government expenditure with sales govern the expected outlook for the industry going forward, and while the expected turnaround in the economy in late 2010 is expected to support the pharmaceutical

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industry, its growth will be restrained by the patent expiries in 2011 and 2012. Overall, IMS Health expects a compounded annual growth rate (CAGR) for the industry of 3%-6% through 2013. Deceleration of growth in sales of pharmaceuticals in markets where the cost is placed primarily on the consumer is already visible. Where medications are discretionary, consumers are becoming increasingly selective and reluctant to spend. In countries where the healthcare burden is placed on the government, trends are varying between stimulus plans that may help drive pharmaceutical growth, and policy changes and tightening of expenditure, leading to price cuts and declines in sales volumes.

In the United States, growth has been decelerating sharply, and IMS Health predicts a 1%-2% contraction in 2009, following which growth will resume at a flat rate. In 2008, prescription sales had growth by 1.3% to register at USD 291 billion. Obstacles to growth in the U.S. market include the poor economic environment inhibiting out-of-pocket spending, lower than expected demand for newly launched products, continued patent expiry, and reduced product launches. As the financial crisis and economic recession in the United States unfolds, we expect a healthcare reduction in both public and private spending. Moreover, R&D investment is expected to decline as companies cut costs to wait out the recession.

Growth in pharmaceutical sales in the U.S. market is expected to stand at 1%-2% in 2009...

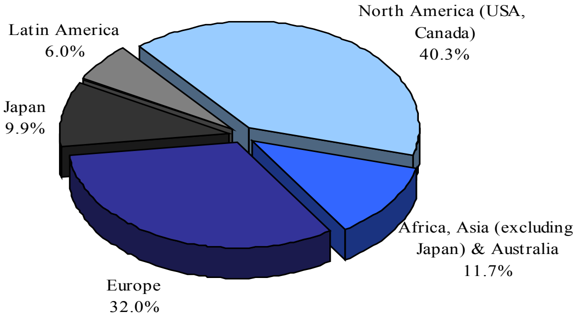
The mature markets of Japan, France, Germany, Italy, the United Kingdom, Spain and Canada are projected to growth at 1%-4%. Sales in Europe will continue to be sustained by the aging population and rising demand for preventative care. Population demographics produced by the U.S. Census Bureau reveal that in 2008, 29.9% of the population in West Europe is aged over 55. By 2015, this percentage will have risen to 32.5%, and by 2050, a whopping 41.1% of the population will be over 55 years of age. Individual country efforts to manage the costs of healthcare will determine the level of growth of the industry in each market, the extent of generic drugs usage, and the impact on pharmaceutical prices.

... while growth in mature markets is expected to range between 1% - 4%

The pharmerging markets of China, Brazil, Mexico, South Korea, India, Turkey and Russia will be the drivers of growth in 2009, expected to contribute over 50% of the global market growth in 2009, and some 40% of the growth through 2013. Overall, the growth in these markets is expected to register at 13%-16% through 2013, according to IMS Health, with China growing to become the third largest market by 2011.

... but the primary growth driver comes from developing countries which are expected to register double-digit growth levels

Breakdown of the World Pharma Market, 2008 Sales



Source: EFPIA; IMS Health

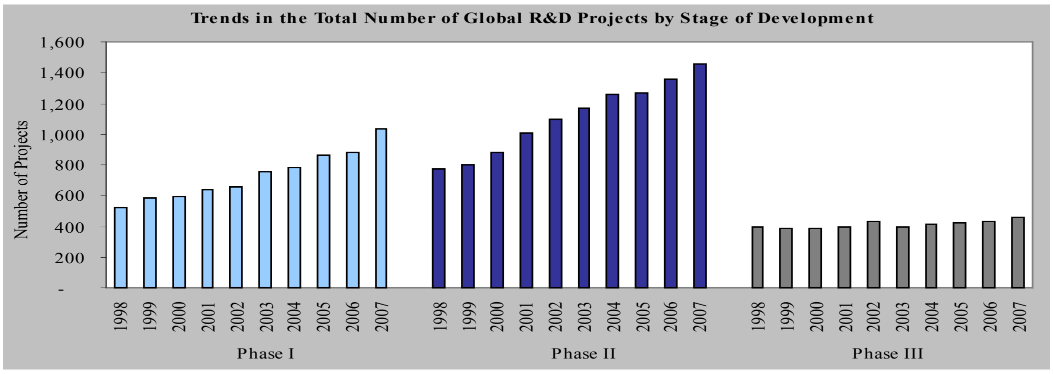
Recent Developments in the Pharmaceutical Industry

Traditionally, sales of blockbuster drugs have been the driving force of the pharmaceutical industry. However, in recent years with the expiry of a number of major patents, the generics market has been showing remarkable growth at the expense of branded pharmaceuticals. Moreover, the expected USD 20 billion and USD 24 billion loss of patent protection in 2008 and 2009 of top selling drugs will further boost growth in the generics market. IMS Health expects that patent expiry will generate sales of almost USD 70 billion in generics as a result. Moreover, as healthcare expenditure in developed countries continues to increase and awareness and demand for health

Dynamics of the industry are evolving away from blockbusters towards generics care in developing countries grows, generics sales are ever-more increasing. Cut-throat competition and price wars between generic manufacturers, however, particularly in the U.S. and U.K. markets, are eating into generic manufacturer margins and profitability.

Bringing new blockbusters to the market is becoming increasingly costly and involves huge financial risks. Only one in every 5,000 - 10,000 molecules under research ever makes it through the full development process to market launch. Increased regulatory requirements, and the evaporation of "easy" discoveries means that while companies are expending more and more on R&D, new drug discoveries are stable, with blockbusters becoming increasingly rare.

The illustration below highlights the rise in number of R&D projects over the years, with the number of projects reaching the third phase of development remaining relatively constant.

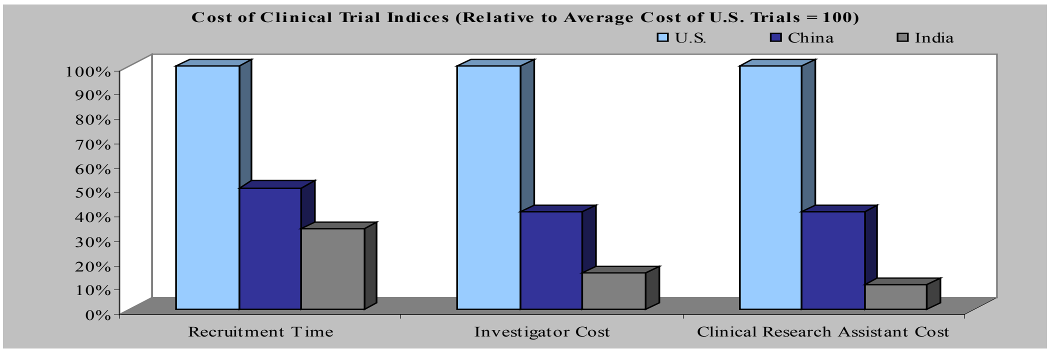


Source: PharmaProjects, as reported by CRA International

Number of R&D projects on the rise but number of projects surviving through to the third phase of R&D is stunted

The increased regulatory requirements, the reduced numbers of blockbuster productions, and the rising costs of R&D has led companies to alter their strategies towards licensing and acquisitions. The value of merger and acquisitions in 2007 reached USD 79.5 billion, according to PharmaProjects, up from USD 55.7 billion the year prior. The high costs of R&D will likely continue to drive merger and acquisition activity going forward. The industry is also seeing increased strategic alliances between pharmaceutical companies and small biotechnology companies in an effort to cut R&D expenses. Offshoring R&D to lower cost countries such as India and China is a trend that is becoming increasingly evident in the global market. A comparison of the relative costs of R&D in these countries versus the United States illustrates the cost benefits of alliances with research institutions in developing countries.

M&A activity is on the rise in the industry as a way to overcome obstacles of rising R&D costs



Source: Paraxel's Biopharmaceutical R&D Sourcebook 2007-2008

The increased competition resulting from generics is also driving a shift in emphasis towards biotech drugs and oncology, where there is lower competition and greater growth opportunity. Biotech drugs are not exposed to the same level of risks of patent expirations and competition from generics, and offer a longer profit life cycle for pharmaceutical companies. Moreover, oncology is expected to grow at double the rate of growth followed by the global pharmaceutical market, with sales expected to exceed USD 48 billion in 2008, according to IMS Health, comprising almost 17% of total pharmaceutical sales growth.

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Drivers of Growth in the Sector:

- Population Demographics

Growth in population and increasing life expectancy, necessitating further medical care and drugs. By year 2050, the world population aged over 60 will amount to more than 2 billion people, 85% of which will be living in current developing countries, mostly in urban areas, according to the World Health Organisation (WHO).

Population over 60 years of age in 2050 will be more than 2 billion

Percentage of Very Elderly People (Over 75 Years of Age) in Total Population

	1960	1970	1980	1990	2000	2010	2020
EU-27	3.3%	3.9%	5.0%	6.1%	6.8%	8.3%	9.4%
USA	3.1%	3.8%	4.5%	5.0%	5.8%	6.0%	6.5%
Japan	1.8%	2.1%	3.1%	4.8%	7.0%	10.8%	14.6%
World	1.6%	1.7%	1.9%	2.2%	2.4%	3.0%	3.5%

Source: World Population Prospects, U.N.

3.5% of the world population will be over 75 years by 2020

- Rising Healthcare Expenditure

Rising healthcare expenditure as governments become increasingly aware of importance of treating/preventing diseases at the onset to minimise more expensive costs later on, as is the case in cardiovascular diseases.

Healthcare expenditure on the rise

Total Expenditure (Private & Public) on Health per Capita, USD Purchasing Power Parity

	1970	1980	1990	2000	2006
USA	351	1,065	2,738	4,570	6,714
United Kingdom	161	470	965	1,847	2,760
Japan	151	585	1,125	1,967	2,578
Germany	269	971	1,769	2,671	3,371
Canada	301	780	1,738	2,513	3,678

Source: OECD Health Data 2008

- Increase in Range of Diseases

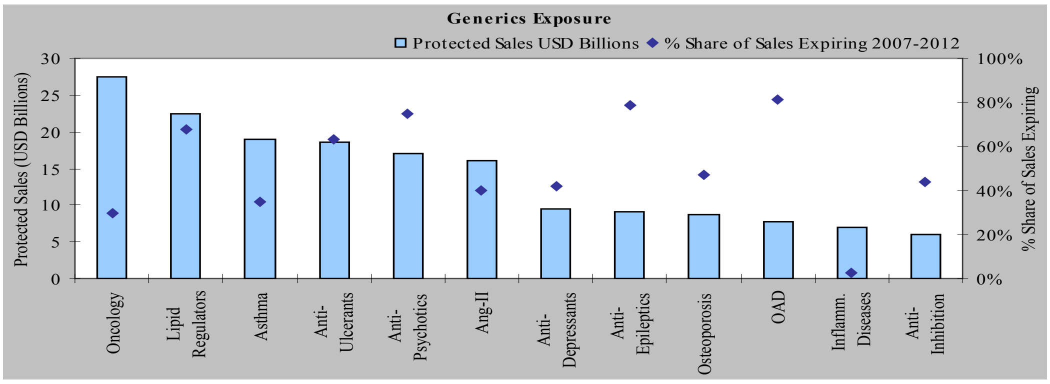
The increased variety of diseases, both communicable and non-communicable, is driving the demand for new medical innovations and treatments. The soaring incidence of cancers, alongside the increasingly widespread reach of diseases such as HIV, SARS and bird flu, is generating new avenues for pharmaceutical R&D and drug production.

Continued increase in spread of diseases

- Patent Expiries

While the expiry of major blockbuster patents is leading to a sharp decline in sales revenues for the producers of these drugs, it is driving growth in generics. Oncology, inflammatory diseases and asthma drugs are currently the least exposed to generics.

Major blockbusters increasingly exposed to generics



Source: IMS Health

Challenges facing the Sector

- Regulators becoming more strict

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Following the highly public recalls and warnings of drugs such as Merck's Vioxx in 2004, Phizer's Bextra, GlaxoSmithKline's Avandia and Bayer's Trasylol, the FDA appears to have become more cautious in approving new drugs. Despite a 33% growth in the number of applications for NME's (new molecular entities) to 28 in 2007, the US Drug Approval Trends and Yearbook 2008-2009 revealed that only 16 NME's were approved in the US that year. This will lead to a decline in the rate in which new drugs are introduced to the market, holding back sales, and discouraging R&D companies, who invest hundreds of millions researching new drugs. More recently, the FDA has become increasingly stringent, banning the import of around 30 generic drugs made by top Indian pharmaceutical company, Ranbaxy, as well as filing a permanent injunction against KV pharma, preventing the company from manufacturing and shipping drugs until it obtains FDA approval.

- Opening up of boundaries increasing competition

The increasing competition from pharmaceutical producers in low-cost markets is causing price wars on generic drugs in the U.S. market, which is eating into pharmaceutical margins.

- Differences in cross-border intellectual property rights

A difference in intellectual property rights between counties has resulted in generic versions of drugs that are still under patent in their home country being sold in other countries. This, it has been argued, results in reduced profits for the pharmaceutical company owning the patent, which translates into reduced money available to spend on R&D, thereby damaging the industry as a whole.

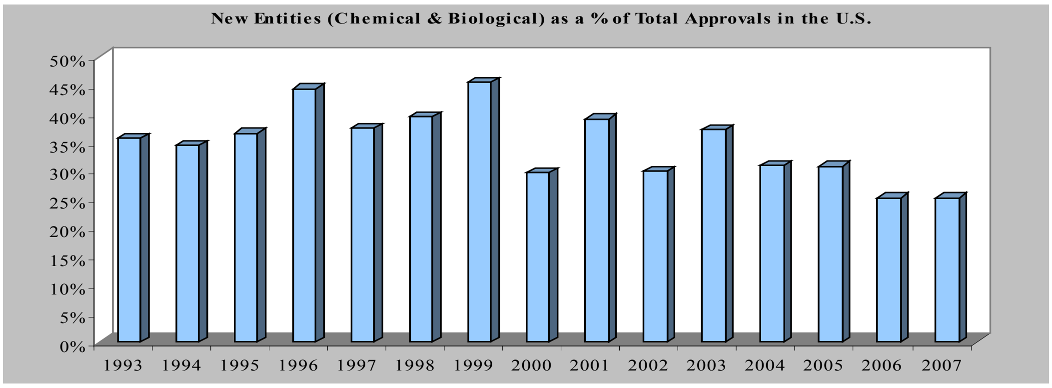
- Pricing pressures

Rising pricing pressures facing the industry from healthcare users, governments, and as a result of generic drugs and increased competition.

Continued pricing pressures

- Expiring Patents and Lack of New Blockbuster Drugs

Expiring patents will expose mega-pharma companies to a sharp reduction in revenues. The approvals of new drugs has been declining as a percentage of total approvals as pharmaceutical companies resort to drug reprofiling and creating new indications for old drugs in a bid to sustain revenues for expired or nearing-expiry patented drugs.



Source: FDA, Paraxel's Biopharmaceutical R&D Sourcebook 2007-2008 as reported by CRA International

New entities as a percentage of total approvals on the decline in the U.S.

- Global Economic Slowdown

The recession in many leading economies and the global economic slowdown is expected to impact on Government revenues, leading to an inevitable cut in health spending. Moreover, patients will increasingly favour generics over patented drugs as they try to curb expenses.

- High R&D expenses

Prices of R&D are soaring, with estimates by DiMasri and Grabowski of the cost of bringing a new chemical or biological entity to market rising to USD 1,318 million in 2006 compared to USD 802 million in 2001 and USD 138 million back in 1975. These higher costs will deter medium and small scale companies from undertaking R&D.

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3.0 HIKMA PHARMACEUTICALS

3.1 Overview of Hikma

Hikma Pharmaceuticals was established in Jordan in 1978. Its initial operations focused on branded pharmaceuticals within the Middle East North Africa (MENA) region, but by the early 1990s, Hikma had begun expanding its presence into the United States market by acquiring West-ward Pharmaceutical Corporation, New Jersey. It also set up injectable pharmaceutical operations in Portugal, and began exporting products to Eastern Europe.

Established in Jordan in 1978 before expanding its global reach into 49 countries

In 1996, Hikma became the first Arabic company to receive FDA approval.

Hikma began operations at Jazeera Pharmaceutical Industries (JPI) in Saudi Arabia in 1999, and in 2004, Hikma Pharma (Holding Company) was established in Jersey.

In 2005, the Company took the IPO route and was listed on the London Stock Exchange, offering 51.31 million ordinary shares to the public at a price of 290p per share, generating finances to fund its capital expenditure programme, its investment in working capital, and its expansion into new markets.

HIKMA was listed on the LSE in 2005

It has since made a number of strategic acquisitions, gaining access to new markets and solidifying presence in existing ones. It acquired Hikma Italy in 2005, and in 2006, it acquired the remaining 52.5% of the Jazeera Pharmaceutical Industries (JPI), and began manufacturing operations in Trust Pharma Algeria. More recently, Hikma has acquired Ribosepharm GmbH and the Thymoorgan in Germany, the Arab Pharmaceutical Manufacturing Company (APM) in Jordan, and Alkan Pharma in Egypt.

The Company has focused on acquisitions to extend and enhance its market position

Hikma Pharmaceutical PLC's Main Subsidiaries

Subsidiary	Country	Ownership	
		2007	2008
Hikma Pharmaceutical Ltd	Jordan	100%	100%
Arab Pharmaceutical Manufacturing (APM)	Jordan	100%	100%
SARL Hikma Pharma Algeria	Algeria	100%	100%
Hikma Farmaceutica S.A.	Portugal	100%	100%
West-Ward Pharmaceuticals Corp.	U.S.A.	100%	100%
Pharma Ixir Co.	Sudan	51%	51%
Hikma Pharma SAE	Egypt	100%	100%
Thymoorgan Pharmazie GmbH	Germany	100%	100%
Hikma Pharma GmbH	Germany	100%	100%
Hikma Italia S.p.A	Italy	100%	100%
Al-Jazeera Pharmaceutical Industries (JPI)	K.S.A.	100%	100%

Source: 2008 Annual Report

It also commenced production in its cephalosporin plant in Portugal for the MENA region and Europe in 2007, and for the United States in 2008.

Hikma has twelve manufacturing facilities in total distributed in eight countries; the United States, Jordan, Portugal, Saudi Arabia, Algeria, Italy, Germany, and Egypt. Hikma has four manufacturing plants in Jordan and two in Portugal, all of which, alongside the plant in the United States, are FDA approved. Its research & development (R&D) meanwhile, is carried out in the United States, Jordan, Saudi Arabia and Portugal. Its operations overall exist in almost fifty countries.

HIKMA has 12 manufacturing facilities, four R&D centres, and operates in almost 50 countries

Hikma has three main business lines:

- Generic Pharmaceuticals
- Branded Pharmaceuticals

HIKMA's operations are in generics, injectables and branded drugs

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- Injectables

In January 2008, Hikma offered a placement of 17 million ordinary shares, equivalent to 9.9% of Hikma's issued ordinary share capital, at a price of 480 pence per share. This generated proceeds of around GBP 81.6 million which were used to reduce debts that had been incurred in acquiring the Arab Pharmaceutical Manufacturing Company during 2007.

Board Members

The Company's board members are as follows.

Board Member	Number of Shares*
Samih Darwazah	2,195,450
Said Darwazah	413,445
Mazen Darwazah	777,591
Michael Ashton	4,566
Ali Al Husry	1,109,748
Breffni Byrne	10,000
Ronald Goode	9,000
Sir David Rowe-Ham	10,000
Darhold Limited (a connected person)**	57,183,082
Total	**61,712,882**

* As of March 16th 2009
Source: Bloomberg, as of May 25th 2009

3.2 Hikma's Business Lines

3.2.1 Branded Pharmaceuticals

Pharmaceuticals in the MENA region, whether patented, generic or over-the-counter, are marketed under specific brand names. Branded pharmaceuticals, which entail the manufacture and sale of branded generic and patented pharmaceuticals, are Hikma's first and largest product line, generating 55.3% of revenues in 2008, The Company markets its own branded generic products and a number of patented brands that are in-licensed from the originators. As of 2008, Hikma had 241 branded products in 460 dosage strengths and forms, including 33 patented products under license. Hikma's top branded products are Actos, Amoclan, Ciprolon, Prograf and Votrex.

Branded pharmaceuticals is HIKMA's largest business line...

Hikma's primary target market for branded pharmaceutical products is the MENA region, with Algeria, Jordan, Sudan, Saudi Arabia, and more recently Egypt, representing Hikma's largest markets for this type of business, although sales do take place in Europe as well.

... targeting markets in the MENA region

In the Algerian market, the largest private pharmaceutical market in the MENA region, growth of Hikma's branded line outpaced that of the market, enabling it to raise its market share from 3.9% in 2006 to 6.1% in 2007 and 6.4% in 2008, positioning it as the fourth largest company in the industry and the largest generic pharmaceutical manufacturer by value.

In Jordan, Hikma is a market leader, and it has succeeded in raising its market share from 7.3% to 7.7% in 2007 and 12.4% in 2008, following the completion of Hikma's acquisition of the Arab Pharmaceutical Manufacturing Company (APM) in 2007, which had a marketed portfolio of 105 products in 222 strengths. Sales of APM post-acquisition increased by 38% during 2008, and this has been attributed by Hikma to a successful integration process and synergies between the two companies. Worth noting is the outstanding performance of APM during the year despite suspension in production for almost two months towards the year-end as the Company underwent capacity upgrades.

Market share in Jordan rose to 12.4% in 2008 following the acquisition of APM

In the Saudi Arabian market, following Hikma's integration with JPI, Hikma's sales grew by an impressive 80%, placing it as Saudi Arabia's sixth largest player. Despite this, however, its market share declined to 3.8% in 2007 from 4.0% in 2006. In 2008, however, Hikma succeeded in raising its market share to 4.9%, moving up to fifth position. Saudi Arabia is the third largest private pharmaceutical market in the region, worth more than USD 1.5 billion.

To further cement its strong position in the MENA region, Hikma has made further investment in its plants in both Jordan and Saudi Arabia, in addition to expanding its reach into the Egyptian market through its acquisition of Alkan (Hikma Egypt). Alkan markets 84 products in 126 strengths, 5 of which are in-licensed and 19 are pending approval. The Egyptian market is considered the second largest private pharmaceutical market in the MENA region, with some USD 1.6 billion in retail sales. Hikma, following its Alkan acquisition, retains a 1.4% market share, and is expecting strong growth in this market going forward. Sales at Alkan grew by 58% in 2008 to USD 28.8 million following process improvements that doubled production output and the number of units sold compared to 2007.

Hikma's Market Share in 2008

	Rank	Year-on-Year Growth (%)	Market Share (%)
Top Nine MENA Markets*		**18.5%**	**100.0%**
Sanofi-Aventis	1	20.9%	11.1%
Glaxosmithkline	2	17.2%	7.7%
Novartis	3	18.6%	5.7%
Pfizer	4	12.7%	5.2%
Hikma	5	27.0%	3.4%
Spimaco	6	12.9%	2.4%
Bayer	7	18.8%	2.2%
Astrazeneca	8	30.2%	1.9%
Johnson & Johnson	9	12.7%	1.8%
Pharco	10	24.2%	1.6%

* Top 9 MENA markets in which Hikma operates (Algeria, Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Tunisia, UAE)
Represents Retail Sales Only
Source: Hikma Annual Report; IMS Health

Hikma ranks in fifth position in terms of market share of the branded business in the MENA region

As illustrated in the table above, Hikma's market share amongst the top 9 MENA markets in which it operates amounts to 3.4%, positioning it in fifth place after Sanofi Aventis, Glaxosmithkline, Novartis, and Pfizer. Hikma is targeting a 5% share of each market it serves. Its growth in retail sales in 2008 compared to 2007 reached 27.0%, surpassing the overall 18.5% growth in the nine markets considered, illustrating Hikma's continued expansion in market share.

The MENA pharmaceutical market is characterised as fragmented, necessitating strong local knowledge of the individual markets, an area in which Hikma has a competitive advantage, due to the widespread distribution of its manufacturing facilities, its strong presence in a number of MENA markets, and its exceptionally large sales force.

All in all for 2008, growth of Hikma's branded revenues reached 61.3%. On excluding acquisitions, the growth in revenues is still an impressive 22.4%. Worth highlighting is that the branded business is seasonal, with higher sales and products typically realised during the first half of the year.

Organic growth in the branded line grew by 22.4% in 2008, while total branded sales grew by 61.3%

Market	Filings in 2008	Filings in 2008 for New Products Only	Total Pending Applications*	Pending Applications of New Products*
MENA	169	16	386	23
Europe and Rest of World	16	6	37	14
Total	185	22	423	37

* As of December 31st 2008

Sales of in-licensed products grew by 63% in 2008, representing around one third of total branded sales. Hikma hopes to raise this to 50% of total branded sales going forward. During 2008, Hikma received 91 regulatory approvals for its branded business, which includes 17 new products in Jordan and Egypt, 67 in other countries within the MENA region, and 7 in Europe and the rest of the world. Moreover, 6 new products were launched, four of which were in Jordan and two in Egypt.

3.2.2 Generic Pharmaceuticals

Expiry of contract for Lisinopril in 2007 - Hikma's main generics revenue generator

This line of business revolves around non-branded generic products that are sold in the United States market under the West-ward label. Hikma's products focus on CNS, cardiovascular, anti-infective and musculoskeletal therapeutic areas. Hikma develops, manufactures and markets 47 non-branded generic products in 105 dosage strengths and forms. Its top products are Amoxicillin, Cefaclor, Doxycycline, Lisinopril, and Lithium Carbonate. Lisinopril was Hikma's leading generics revenue generator, sustaining sales through a contract signed with the Department of Veterans Affairs, an agency of the Government of the United States. The contract was initially signed for the period December 2002 to December 2003, with four one-year extension periods, at the discretion of the Department of Veteran Affairs. This contract finally expired on December 20th 2007 and was not renewed.

Revenues from generics declined during 2008 by 14.9% to USD 105.7 million, contributing 18.2% to Hikma's top line. The U.S. generics market is highly competitive, and Hikma, alongside other generic producers, is facing pricing pressure and erosion of margins. To combat the damage imposed by its generics business line on its financial performance, Hikma has resolved to focus on higher margin niche products and to cancel low margin products, in addition to raising capacity in low-cost countries and implementing price increases to favourably impact on margins. Moreover, Hikma has strengthened the senior management team in the U.S., including hiring a new finance director and a new sales & marketing director.

Market	Filings in 2008	Filings in 2008 for New Products Only	Total Pending Applications*	Pending Applications of New Products*
United States	4	2	33	25

* as of December 31st 2008

By the end of 2008, the Generics business had been transformed once again to a profit-generating business, albeit, insufficient to offset the losses made earlier in the year. Going forward, Hikma is expecting to continue to be profitable in this business segment, particularly following FDA-enforced withdrawal of some non-U.S. suppliers during the year, which helped ease some of the pricing pressure.

Hikma received 3 regulatory approvals during the year of which two related to new products. Meanwhile, 7 products were launched during the year, which included 2 new products.

3.2.3 Injectables

Acquisitions of Ribosepharm and Thymoorgan expected to boost growth further

Injectables, a specialised sub-segment of the generics market, is Hikma's newest line of business, targeting markets in the MENA region, the United States and Europe. Hikma is aggressively growing this line of business through new product lines, development of its oncology business, and investments in capacity. Hikma has added further lyophilisation capacity in its Portugal facilities, and has increased the utilisation of its new cephalosporin plant. It also made two acquisitions in Germany, those of Ribosepharm and Thymoorgan, which helped Hikma enter the injectable oncology market, which is forecast to become the second largest market within the pharmaceutical industry by 2010.

Revenues from injectables grew by 23.2% to USD 149.3 million in 2008, making up 25.7% of total revenues, while Hikma's organic growth, after excluding the acquisitions of Thymoorgan and APM, amounted to 14.2%.

Hikma has eighty-one branded and non-branded injectable products in 202 dosage strengths and forms, including seven in-licensed products. The Company's injectables business focuses on oncology, anti-infectives, the central nervous system, and cardiology. Its top products in this business line are Cefizox, Cefurozime, Ciprolon, Samixon, and Vancomycin.

The number of competitors in the injectables business is more limited than other lines of business in pharmaceuticals, due to the complexity of the manufacturing process, the capital intensity, and the more challenging regulatory requirements.

Hikma is the sole generic supplier of six specific injectable products in the Middle East and has a solid market share. In Europe and the U.S., Hikma's injectables business also has a good market share, particularly in terms of cephalosporins.

Hikma is the sole generic supplier of 6 specific injectables in the MENA region

Market	Total Filings in 2008	Filings in 2008 for New Products Only	Total Pending Applications*	Pending Applications of New Products*
United States	8	6	32	21
MENA	26	7	145	11
Europe	10	9	14	13
	44	22	191	45

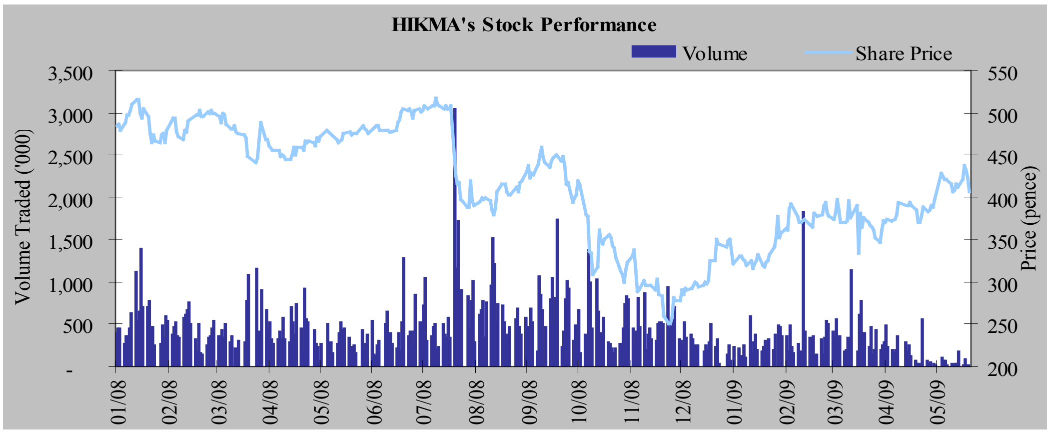
* As of December 31st 2008

During 2008, Hikma received 60 regulatory approvals, 37 of which were in the MENA region, 16 in Europe and the rest of the world, and 7 ANDA approvals in the United States. Moreover, 61 new products were launched during the year, of which 9 were new.

3.2.4 Other Business

Hikma's other business segment consists mainly of the Arab Medical Containers, which manufactures specialised plastic packaging, as well as the International Pharmaceuticals Research Centre, which conducts bio-equivalency studies. Together, these generated just under 1% of the Company's total revenues during 2008, and resulted in an operating loss of USD 3.7 million. These businesses cater to the requirements of the Company as well as supplying other third parties.

3.3 Trading Information



Source: Yahoo Finance

Hikma's share registered a 26% decline during 2008, ending the year at 350 pence

Hikma's share price demonstrated relative stability during the first half of 2008, fluctuating within a range of 541p and 440p. On January 14th, the stock registered its peak for the year of 541p. From the onset of the second quarter of 2008, Hikma's stock had begun to climb, rising from 468.5p on March 30th to 504p at the end of the first half of the year. In July, the share price continued to rise, reaching 514p before dropping sharply to below 400p just two weeks later. August and September saw the stock re-emerge above the 450p mark before falling to end the third quarter of the year at 400.25p. Hikma's stock followed a turbulent downward trend in the quarter that followed, reaching a low 225p on November 14th before correcting upwards and closing the year at 350p, down 26% year-on-year.

During the first quarter of 2009, Hikma's stock price followed an overall upward trend to reach 361 pence on March 31st. For the following few weeks, the stock continued to rise, reaching a high of 435 pence on May 6th, before slumping to 406.25 pence on May 23rd.

4.0 SWOT ANALYSIS

Strengths	Weaknesses
Large portfolio of products	Reliance on operations in the U.S. where competition is fierce
Wide geographic coverage	Lack of patent-protected drugs to ensure future revenue stream
Leading position in many markets	Exposure to price wars on its generics products
Brand recognition in the MENA region	Exposure to FX volatility
Economies of scale as a result of acquisitions	Long cash cycle due to concentration of operations in the MENA region
Pipeline of potential new medicines	
Production presence in low-cost countries	
Strong local knowledge of markets in the MENA region	
FDA approved manufacturing facilities	

Opportunities	Threats
Strong drug pipeline resulting from acquisitions, particularly in oncology	Global economic slowdown affecting negatively on sales
Potential for revenue generation in developing countries	Changing regulatory environment
Patent expiry for mega pharma companies providing opportunities for growth in generics	Inadequate intellectual property protection in developing countries
Potential to gain market share in U.S in injectables	Government spending cuts on healthcare
	Pending in-licensed products not receiving approval
	Generics sales unable to compensate for loss of Lisinopril contract

ABC Investments

5.0 FINANCIAL PERFORMANCE

5.1 Financial Highlights

(in USD)	2004	2005	2006	2007	2008
Operating Profit ('000)	62,724	69,208	75,247	92,398	80,682
Profit before Tax ('000)	59,024	64,409	75,596	83,789	64,034
Profit after Tax ('000)	38,189	44,957	55,957	64,193	57,119
EPS (Basic)	26.3	30.0	32.6	37.0	30.4
Total Assets ('000)	246,481	397,962	488,356	894,041	966,459
Shareholders' Equity ('000)	142,490	283,881	345,067	418,480	603,209
Growth in Revenues	13.2%	23.5%	20.9%	41.6%	29.4%
Growth in EBITDA	10.9%	3.4%	6.5%	12.5%	(31.1%)
Growth in Net Profit	20.5%	17.7%	24.5%	14.7%	(11.0%)
Growth in Shareholders' Equity	32.9%	99.2%	21.6%	21.3%	44.1%
Growth in Total Assets	17.2%	61.5%	22.7%	83.1%	8.1%
Interest Coverage	16.3	13.1	15.2	8.5	4.6
Net Debt/Equity	14.9%	(28.5%)	(5.6%)	73.6%	28.2%
Current Ratio	2.19	3.72	2.81	0.93	1.82
Quick Ratio	1.59	2.96	2.02	0.57	1.14
Inventory Days	163	148	163	180	166
Receivable Days	96	102	118	126	121
Length of Operating Cycle	259	250	281	306	287
Payable Days	74	105	111	109	92
Length of Cash Cycle	185	145	170	197	195
Inventory Turnover Ratio	2.23	2.47	2.24	2.03	2.20
Debtors Turnover	3.81	3.58	3.10	2.89	3.02
Creditors Turnover	4.87	3.42	3.24	3.29	3.90
Net Fixed Assets Turnover	3.31	3.22	2.56	2.22	2.24
Total Asset Turnover	0.93	0.81	0.72	0.65	0.62
Gross Profit Margin	51.1%	51.8%	50.0%	49.4%	44.2%
EBITDA Margin	26.3%	22.0%	19.4%	15.4%	8.2%
Net Profit Margin	18.0%	17.1%	17.7%	14.3%	9.8%
ROAA	16.7%	14.0%	12.6%	9.3%	6.1%
ROAE	30.6%	21.1%	17.8%	16.8%	11.2%

5.2 Income Statement

5.1.1 Revenues and Gross Margin

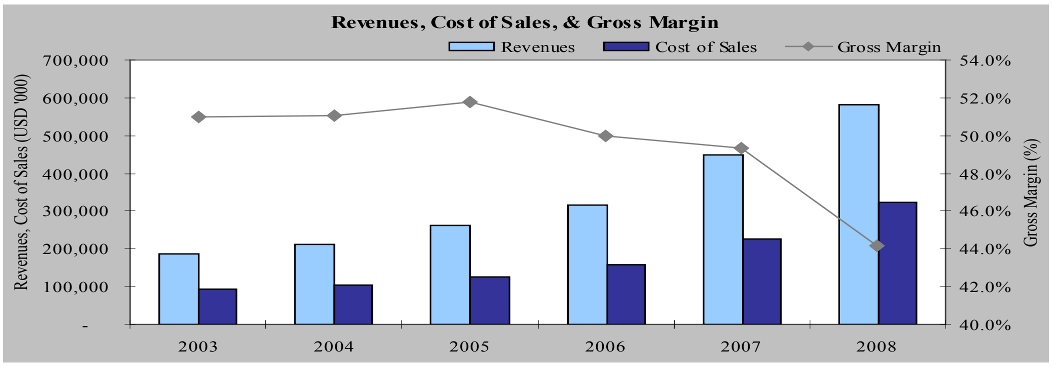
Revenues have grown at a CAGR of 28.6% since 2004...

Hikma's top line has been registering double digit growth in recent years, with a compounded annual growth rate (CAGR) of 28.6% since 2004 to reach USD 580.66 million in 2008. Year 2007 was particularly remarkable for the Company, with a USD 131.77 million rise in revenues, equivalent to 41.6%, attributed to the strong performance in the branded and injectables business lines.

(USD '000)	2004	2005	2006	2007	2008
Revenue	212,377	262,215	317,022	448,796	580,656
Growth (%)	13.2%	23.5%	20.9%	41.6%	29.5%

Since its public listing, Hikma has committed to doubling its sales every four years, a task that has been achieved to date. Going forward, the Company has a target in place of a 15%-20% sustained and controlled growth rate.

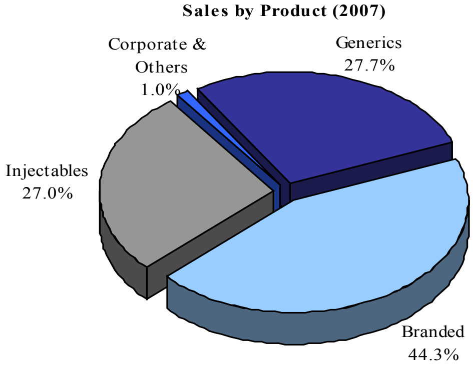
Hikma's cost of sales, meanwhile, increased at a slightly higher CAGR of 32.9% over the same period to register at USD 324.17 million, giving a gross profit for 2008 of USD 256.48 million.

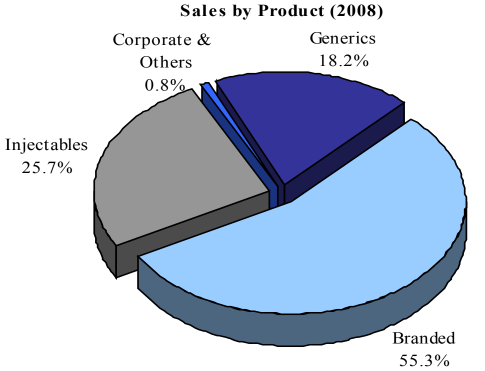


... outpaced by growth in cost of sales, causing a decline in gross margins in recent years

As a result of the cost of sales growth outpacing that of the revenues, Hikma's gross margin has declined since 2005, dropping from 51.8% to 50.0% in 2006, 49.9% in 2007, and finally, 44.2% in 2008. Going forward, we would expect to see sustained growth in its revenues and gross margin, on the back of growth in the branded and injectables businesses, which offer higher margins than the generics business.

Revenue Mix

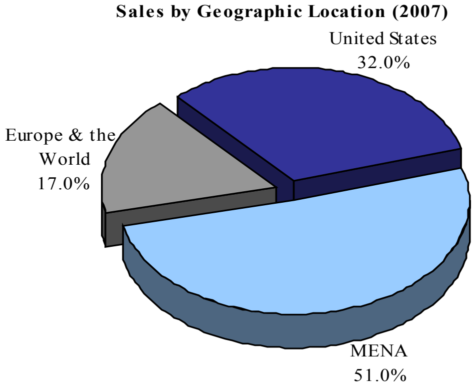


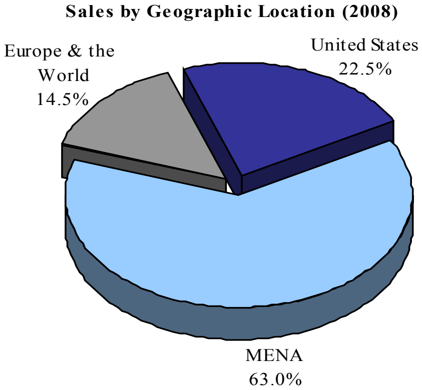


Generics revenues are losing importance as branded and injectables grow

The branded business line is Hikma's main revenue generator, contributing 55.3% to its top line in 2008. Injectables and generics constitute 25.7% and 18.2% of total revenues, respectively. Worth mentioning is the change in product mix in 2008 compared to 2007; revenues generated from the branded and injectables business grew in 2008 at the expense of generics sales, which declined from 27.7% of total sales to 18.2%. This alteration comes primarily as a result of price and margin erosion for the U.S. generics business due to rising competition in the market place, in addition to strategic acquisitions performed, which enhanced Hikma's sales in both injectables and branded sales.

The generics business is experiencing price erosion from competitive pressures...





Hikma is a market leader in the Middle East North Africa region, and the region is Hikma's primary sales market, accounting for 63.0% of its total sales. The United States market is home to 22.5% of Hikma's total sales, while Europe and the rest of the world claim 14.5%.

The decline in growth of the U.S. generics business has reflected on the proportion of total sales to the United States market, which declined from 32.0% in 2007 to 22.5%. Meanwhile, the acquisitions of APM and Aklan, coupled with organic growth of operations in the injectables and branded business lines, led to a rise in sales to the MENA region from 51.0% of total sales in 2007.

Revenues are expected to continue to rise at a compounded annual growth rate of 13% for our forecast period, primarily on the back of growth in injectables and branded business.

Branded

Since year 2006, Hikma's branded business has overtaken generics as the leader in revenue generation, contributing a whopping 55.3% to the total. The branded business registered a CAGR since 2004 of 44.3%, and the revenue growth has been escalating in recent years, reaching 52.9% and 61.3% in 2007 and 2008, respectively. The branded business also has the highest profit margin amongst the business lines, attaining 53.9% in 2008.

Growth of 61.3% in branded sales during 2008

(in USD '000)	2004	2005	2006	2007	2008
Revenue	74,013	93,012	130,114	198,942	320,837
Cost of Sales	(34,312)	(39,297)	(60,642)	(90,925)	(148,023)
Gross Profit	**39,701**	**53,715**	**69,472**	**108,017**	**172,814**
Gross Margin	**53.6%**	**57.8%**	**53.4%**	**54.3%**	**53.9%**

Strong revenues and margins generated by Hikma's branded drugs...

A significant portion of the branded operations occur in the MENA region, where patented, generic, and over-the-counter pharmaceuticals are marketed under specific brand names. Despite strong competition in the market, Hikma maintains a leading market share in a number of countries. The recent purchase of Alkan Egypt and the Arab Pharmaceutical Manufacturing Company, alongside the full integration of the Al Jazeera Pharmaceutical Industries, has further spurred the growth in the branded business, and the Company has plans to increase capacity in its Jordanian and Saudi Arabian plants, in addition to investing in Alkan and APM, to facilitate organic growth.

... supported by recent acquisitions in the MENA region

Sales at APM increased by 38% to USD 61.3 million, while Hikma Egypt (Alkan) recorded a substantial 58% increase in sales to USD 28.8 million. The strong results since integration has been attributed by the Company to synergies between the Hikma and the companies, resulting in improved processes and efficient production.

In-licensed product sales grew by 63% in 2008, making up one-third of the branded sales. The Company hopes to raise this proportion to half of the branded sales.

Going forward, branded business is expected to continue to grow, as awareness and government spending on health continues to increase. The favourable demographics in the MENA region, alongside Hikma's growing market share, both organically and inorganically, are expected to reinforce its growth momentum. In the short-term, however, health spending cuts are likely, as governments rein in their spending until the financial crisis passes, which is expected to impact on the Company's margins, as prices are cut to boost sales. In the medium-term, however, we expect robust growth in sales at reduced margins, as competition heightens in this lucrative market.

Hikma's focus will be on streamlining its operations, obtaining further in-licensed products, launching new products, as well as being alert to any attractive acquisition targets that will help expand its market share in new or existing markets, with likely markets being Algeria and Egypt.

ABC Investments

Generics

The U.S. generics revenues were hit in 2008, registering a 14.9% decline, due to subjection of the generics business to price erosion resulting from high competition in the U.S. market from other generics producers. This has led to consistent declines in the generics gross margin in recent years, which fell from 54.1% in 2004 to 47.2% in 2007 and 18.3% in 2008. Moreover, the gross profit in absolute terms has been deteriorating since 2005, a phenomenon that is anticipated to begin to improve going forward.

The generics business is experiencing price erosion from competitive pressures...

(in USD '000)	2004	2005	2006	2007	2008
Revenue	106,225	115,208	113,674	124,229	105,696
Cost of Sales	(48,773)	(52,861)	(53,911)	(65,644)	(86,385)
Gross Profit	**57,452**	**62,347**	**59,763**	**58,585**	**19,311**
Gross Margin	**54.1%**	**54.1%**	**52.6%**	**47.2%**	**18.3%**

The generics business favours large companies that can take advantage of economies of scale. The business has lower barriers to entry compared to other pharmaceutical business lines, due to less stringent regulations imposed by the FDA on generic drugs. Moreover, the robust growth in generics in recent years has attracted competition from low-production cost countries such as India and China, further hiking up competition levels. As a result of their lower operating expenses, pharmaceutical companies from emerging markets are able to spend a lot on capital expenditure and acquisitions, and are aggressively targeting the world's largest generics market. This rising competition is driving a trend of consolidation and vertical integration in the U.S.

... due to relatively lower barriers to entry

The widespread presence of Hikma's production facilities on a global scale should facilitate it in competing against other players, as it is able to export from lower production cost facilities to the U.S. market. Hikma has also undertaken steps to reduce the negative impact of the generics business on the group's financial performance by making changes to management and the sales and marketing department, cancelling low margin products and raising prices, in addition to renegotiating terms of trade.

Historically, Hikma's generics business line relied on revenues generated from its Lisinopril contract with the Department of Veterans Affairs. However, the contract finally expired in December 2007 and was not renewed. We expect this to result in a decline in Hikma's sales that must be compensated by a rise in sales of other products. During 2008, Hikma received three regulatory approvals for its generics business, including two new products, while seven products were launched during the year. However, the new products have failed to compensate for the decline in Lisinopril sales, with the revenues from generics dropping to USD 105.70 million from USD 124.23 million in 2007.

Hikma's generics business relied on its Lisinopril contract, which was terminated in 2007...

... and to date, its new products have failed to compensate for the drop in the Lisinopril revenues

During the final quarter of 2008, the Company achieved better than expected results for its generics business, although insufficient to compensate for the losses generated earlier in the year. We anticipate continued low revenues for 2009, both as a result of the loss of the Lisinopril contract and ongoing price erosion. We do, however, project an improvement in profit margins going forward in response to actions taken by the Company to steamline its operations by withdrawing low margin products, raising prices, increasing efficiency, and reducing costs. Hikma is also likely to increase its supply to the US market from its plant in Jordan, due to its relatively lower production costs vis-a-vis the West-ward plant.

Hikma also has thirty-three new products and line extensions pending approvals as of the end of 2008, and we believe that these will help towards sales improvement in 2009. Moreover, the Company's efforts to improve its sales & marketing in the U.S. market, in addition to its capacity upgrade, has us relatively optimistic on the performance of generics for 2009, leading us to estimate a 3% growth in its top line, despite expectations of a decline in overall demand for pharmaceuticals as people begin to tighten their belts in response to the global economic slowdown. Going forward, Hikma will benefit from the continued expiry of patents in the U.S., which will help further grow sales. However, it will also face additional competition from other generics producers, which will bite a chunk out of its profit margins.

Injectables

Hikma's injectables business has been growing at an exponential rate, with revenues increasing by 79.3% in 2007 and 23.2% in 2008. The Company's investments in capacity, both in terms of expanding existing facilities and in terms of acquisitions, has paid off. During 2007, Hikma's acquisitions in Germany contributed USD 36.6 million to the injectables business sales, constituting almost one-third of the business line's revenues. Injectables growth in 2008, excluding acquisitions, amounted to 14.2%.

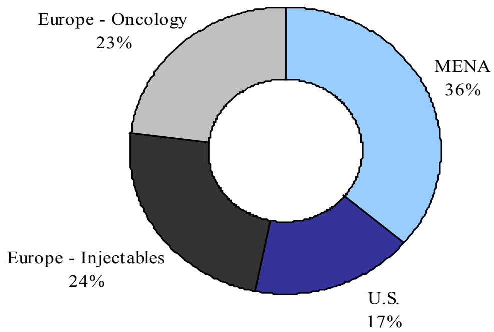
Impressive organic and inorganic growth in injectables...

(in USD '000)	2003	2004	2005	2006	2007	2008
Revenue	22,237	29,859	49,303	67,570	121,164	149,320
Cost of Sales	(13,385)	(19,140)	(30,883)	(39,225)	(67,005)	(85,942)
Gross Profit	**8,852**	**10,719**	**18,420**	**28,345**	**54,159**	**63,378**
Gross Margin	**39.8%**	**35.9%**	**37.4%**	**41.9%**	**44.7%**	**42.4%**

... generating a growth of USD 9.22 million in gross profit in 2008

While competition in terms of number of companies is lower for injectables compared to other pharmaceutical business lines, despite its acquisitions in Germany, the Company is beginning to face rising competition in Europe which has reflected on its profit margins, which declined slightly to 42.4% during 2008. This effect was aggravated by the acquisition of Thymoorgan, whose products have a lower gross margin than the remainder of Hikma's injectables, as well as some low margin injectables sales contracts at APM that will not be renewed on completion. Excluding Hikma's acquisitions of Thymoorgan and APM adjusts the gross margin up to 45.1%.

Distribution of Injectables Sales



Hikma's recent acquisitions make Europe its primary market for injectables, with a 47% market share...

With Europe standing as the key market for injectables with a 47% share of injectables sales in 2008, its imminent entry into a recession coupled with the weakening euro against the dollar, and expected deterioration in public spending during these troubled times, is expected to dampen sales growth and margins. The Company has been experiencing pricing pressure in Germany which has restrained the growth in sales to 9.6%. Therefore, Hikma's strategy for the European injectables is to maintain its existing business with limited investment into new markets. In contrast, sales in the MENA region grew at a rate of 43% while in the U.S. growth reached 29.2%. The Company believes it has opportunity to gain significant market share in the MENA region, and plans to expand its injectables business through launches of new projects and entry into new markets. Hikma has assigned a new management team to its oncology business, which will market its products outside Germany, with an emphasis once again on the MENA market. Sales in the MENA region stood at 36% in 2008, and due to the higher margins offered in the region, this is anticipated by management to rise to around 45% of injectables sales in the near-term.

... while the MENA region remains the Company's most opportune market for this line of business going forward

Going forward, the Company will expand its product pipeline, maintaining a stable stream of product launches. It will also emphasise its oncology business, registering its products for launch in the U.S. market, as well as launching them in Europe and MENA. Therefore, we maintain estimates of positive growth in earnings, albeit at slower rates than historically, at slightly deteriorating margin levels.

5.1.2 Operating Expenses

The recent acquisitions made by Hikma reflected substantially on its operating expenses, with its sales and marketing expenses soaring by 74.3% and 48.4% in 2007 and 2008 respectively to USD 61.02 million and USD 90.56 million from USD 35.01 million in 2006. The largest contributors to this increase in sales and marketing costs in 2008 came from the consolidation of APM and Hikma Egypt, alongside the amortisation of intangible assets from acquisitions, and increased promotion of products and the launch of the Hikma brand in Egypt. The average monthly number of sales and marketing employees rose from 888 employees in 2007 to 1,254 employees in 2008. Excluding acquisitions, the increase in expenses drops to a more reasonable 19.8%.

(in USD '000)	2004	2005	2006	2007	2008
Sales & Marketing Costs	19,728	27,367	35,014	61,021	90,560
General & Administrative Expenses	15,098	22,610	30,328	46,012	56,853
Research & Development Costs	9,672	16,507	18,291	19,342	22,172
Other Operating Expenses (net)	1,950	1,548	588	2,760	6,215
Total Operating Expenses	**46,448**	**68,032**	**84,221**	**129,135**	**175,800**

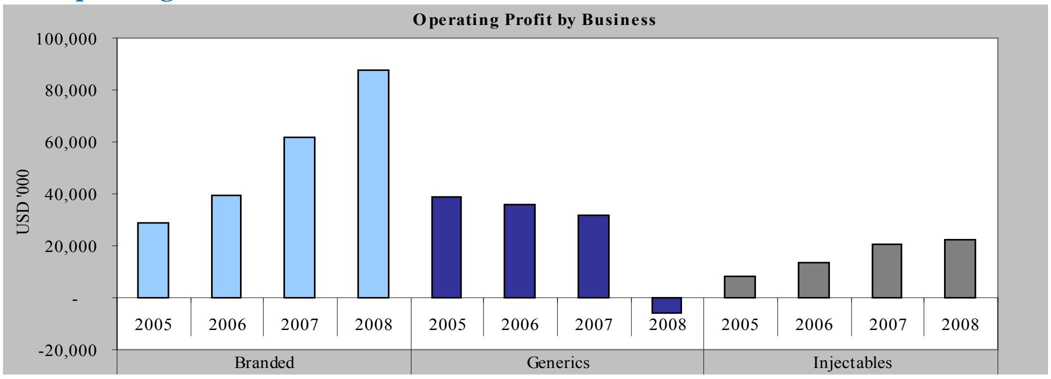
Acquisitions have caused the G&A and sales & marketing expenses to rise dramatically in 2007 and 2008

The acquisitions also hiked up the general & administrative expenses, which rose by 23.6% to USD 56.85 million in 2008. The general and administrative staff also soared from an average of 379 in 2007 to 647 employees in 2008. These expenses are expected to remain high, however, efforts by the Company to streamline costs in troubled circumstances, should constrain the growth somewhat.

While growth in research & development (R&D) expenses continued to grow in 2007, this was at a slower rate than in 2006, due to a diversion of the Company's strategy towards business and product acquisitions rather than in-house R&D. In 2008, however, as Hikma began to target product portfolio growth, investment in R&D was increased, particularly in Jordan, leading to a rise in R&D expenses by 14.6%. As of December 31st 2008, Hikma had 111 products under development, and its acquisitions APM and Alkan each had in-process R&D amounting to USD 3.52 million and USD 1.06 million, respectively.

Overall, total operating expenses rose by a compounded annual growth rate of 39.5% since 2004, attributed to heightened corporate expenses following Hikma's public listing, in addition to increased overheads from new plants and acquired companies. The global rise in inflation during 2008, as expected, impacted further on these expenses, with total operating expenses for the year rising to USD 175.80 million. Going forward, with an economic slowdown and the fall in prices of commodities and oil, we would expect to see a deceleration in the level of growth of these expenses.

5.1.3 Operating Profit



ABC Investments

Operating profit registered at USD 80.68 million in 2008, down from USD 92.40 million in 2007, due to the growth in operating expenses surpassing the growth in gross profit. In line with the revenues, the branded business generated the bulk of the operating profit before unallocated expenses at USD 87.50 million, up by a substantial 41.8% from 2007's USD 61.70 million.

Operating income declined during 2008 by 12.7%

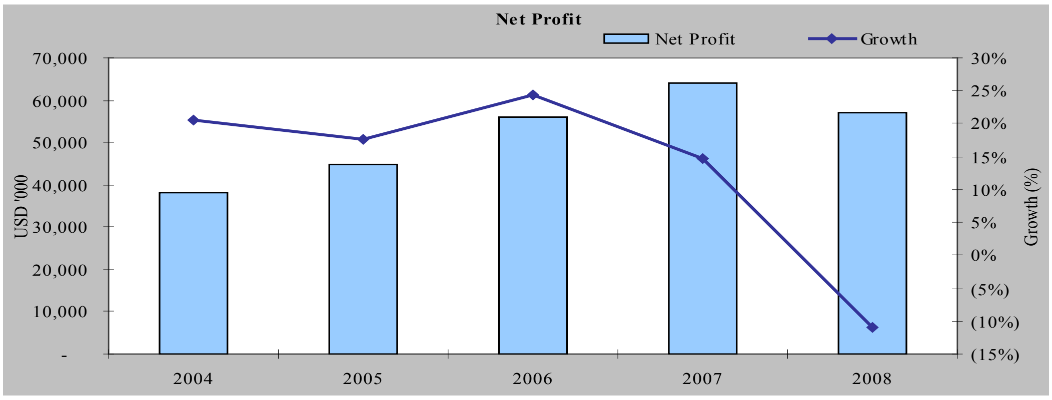
The generics business, on the other hand, saw a USD 37.4 million decline in its operating profits due to squeezed profit margins and increased sales and marketing expenditure in the U.S. market, generating an operating loss of USD 5.79 million. Meanwhile, operating profits from injectables have grown steadily, to reach USD 22.10 million in 2007.

We expect the generics operating profit to continue to be tight but revert to a positive return, with continued growth for both injectables and branded business lines.

5.1.4 Net Profit

During the period 2004 through 2007, Hikma's bottom line has seen sustained growth, reaching USD 64.19 million in 2007, up from USD 38.19 million three years prior. In 2008, as growth in gross profit became overshadowed by the increase in operating expenses, coupled with a further hike in finance expenses to USD 17.55 million, led to a drop in the net profit to USD 57.12 million. The USD 170 million bridge loan drawn by Hikma to acquire APM is the primary driver of the rise in financing expenses in 2007. However, in 2008 following the 17 million ordinary shares placement, this loan was repaid and we would have expected to see a decline in interest expenses for 2008 compared to 2007, but this was not the case, with the finance expense rising by USD 6.71 million from USD 10.84 million in 2007.

Net profits rose by 23.9% and 10.5% in 2006 and 2007, respectively



For 2009, we anticipate profits before tax of USD 90.35 million and an after-tax bottom line of USD 77.32 million.

5.1.5 Earnings per Share

(cents)	2004	2005	2006	2007	2008
Basic EPS	26.3	30.0	32.6	37.0	30.2
Diluted EPS	24.8	28.3	31.0	35.4	29.6

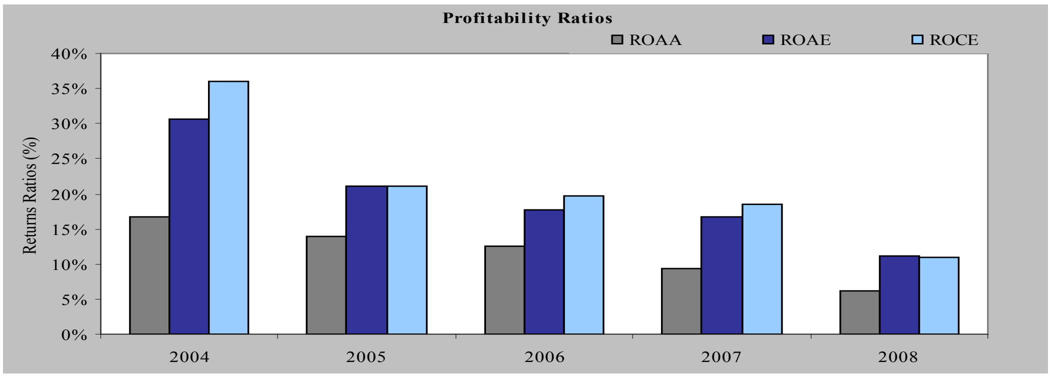
Hikma's basic EPS reached 17.6 cents at the end of the first half of 2008

Hikma's EPS stood at 30.2 cents for 2008 on a basic EPS basis and 29.6 cents on a diluted basis. Prior to 2008, the EPS had demonstrated consistent growth, rising by a CAGR of 12.1% since 2004 to register a basic EPS of 37.0 cents and a diluted EPS of 35.4 cents in 2007. For 2009, we anticipate a rise in the basic EPS to 40.0 cents.

5.1.6 Profitability Ratios

While Hikma's profitability has been improving year-on-year, the growth in its profits has been surpassed by the rate of growth of the Company, both organically and inorganically, which drove

Profitability ratios have been dropping year-on-year up intangible assets from USD 5.03 million in 2005 to USD 23.94 million the following year and up to USD 258.23 million in 2008 through its acquisitions, and property, plant & equipment from USD 71.47 million to USD 271.65 million in 2008. This led the Company's Return on Average Assets (ROAA) to decline, dropping to 6.1% in 2008 from 16.7% in 2004.

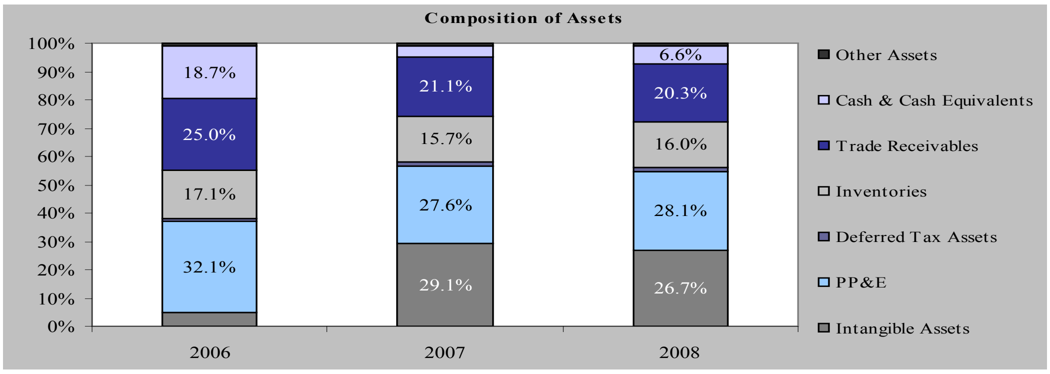


Meanwhile, the Company's IPO in 2005 and its corresponding share premium virtually doubled Hikma's equity that year, which dragged down the Return on Average Equity (ROAE) from 30.6% in 2004 to 21.1% one year later. In 2008, once again, the Company's private placement drove the equity attributed to its shareholders up from USD 418.48 million at the end of 2007 to USD 603.21 million, and in turn, pulled down the ROAE to 11.2%.

In terms of the Return on Capital Employed (ROCE), in 2005 the USD 94.54 million increase in cash balances, attributed primarily to IPO proceeds, meant that the capital employed balance jumped 85.4%, an increased unmatched by far by the Company's returns, causing the ratio to drop from 36.1% in 2004 to 21.2% the following year. In subsequent years, the growth in PP&E and intangible assets outpaced growth in profits, causing further deterioration in the ratio, with the ROCE standing finally at 10.9% in 2008.

5.3 Balance Sheet

5.3.1 Assets



Total assets registered at USD 966.46 million in 2008, up around USD 72.4 million during the year, and up a substantial USD 404 million during 2007...

Hikma's total assets have increased four-fold since 2004 reaching USD 966.46 million in 2008. The largest growth in assets took place during 2007, where total assets increased by 83.1%, equivalent to USD 405.69 million, with the bulk of the increase coming as a result of Hikma's acquisitions, which boosted its intangible assets and property, plant & equipment.

... due largely to Hikma's acquisitions...

The contribution of intangibles to total assets has risen to 26.7% in 2008 and 29.1% in 2007 from 4.9% in 2006. Goodwill constitutes the larger part of the intangibles at USD 154.59 million of a total intangibles balance of USD 258.23 million, with USD 74.40 million related to the acquisition of APM, USD 34.68 million related to Alkan, and USD 13.21 million and USD 23.95 million related to Ribosepharm, merged with Hikma Pharma GmBH, and Thymoorgan, respectively.

... which drove up the value of its intangible assets, including goodwill

ABC Investments

PP&E, equally, makes up over one quarter of Hikma's total assets at USD 271.65 million. Inventory, meanwhile, contributes some 16.0% to total assets. A consideration of Hikma's inventory turnover reveals a relatively stable level of around 2.2 times, giving an average number of inventory turnover days of approximately 160.

	2004	2005	2006	2007	2008
Inventory Turnover Ratio	2.23	2.47	2.24	2.03	2.20
Inventory Days	163	148	163	180	166

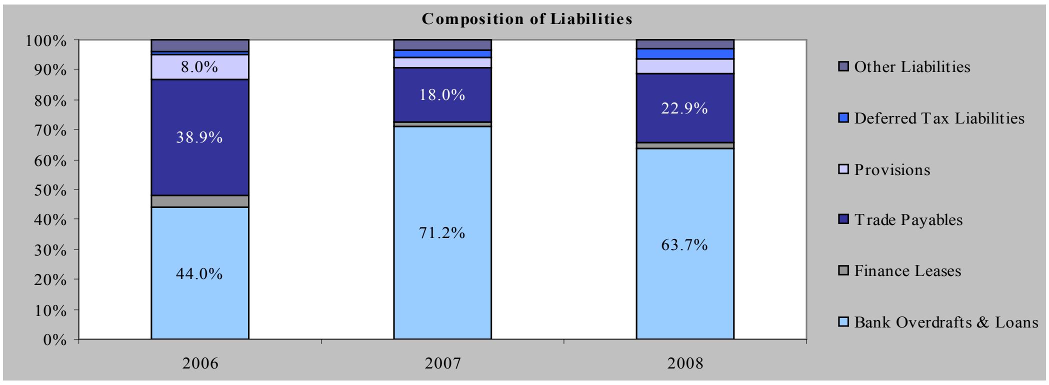
The challenges faced by the Generics business line during 2008 due to deteriorating conditions in the US market resulted in slow moving inventory items against which the Company booked USD 8.55 million in provisions. The restructuring of the management structure in the Company and centralisation of operations is expected to enhance its inventory and working capital management, as well as improve purchasing power of the group as a whole.

The Company's trade receivables rose from USD 188.28 million in 2007 to USD 195.84 million the following year. In terms of the receivables turnover ratio, this has been following an overall declining trend in recent years, raising the number of receivable days to over 120 days, a trend to be expected with the increasing importance of sales in the MENA region, where settlement terms are traditionally much longer than in other regions..

	2004	2005	2006	2007	2008
Trade Receivables Turnover Ratio	3.81	3.58	3.10	2.89	3.02
Receivable Days	96	102	118	126	121

The Company's management has stated that it intends to focus on collection and cash flow, and plans to reduce its cash cycle by ten days per year for the next five years.

5.3.2 Liabilities



Bank loans and overdrafts constitute the larger part of Hikma's liabilities

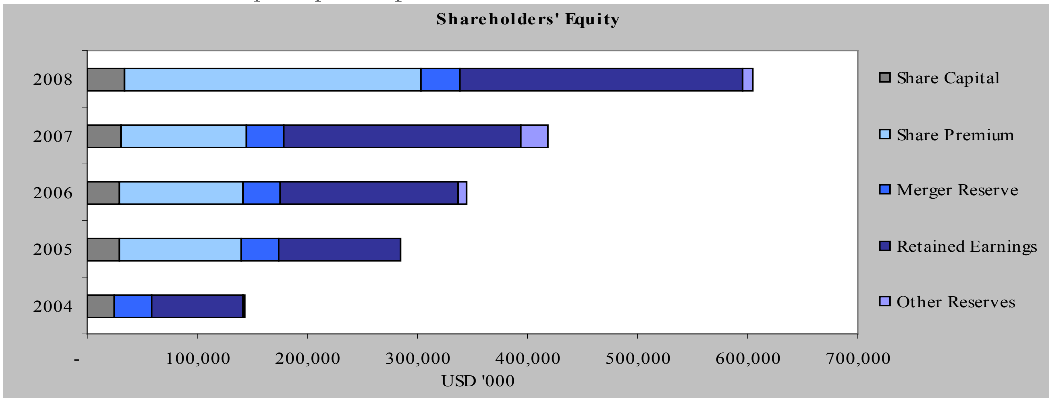
The composition of Hikma's liabilities reveals a drastic increase in the Company's level of debt in 2007, which previously made up less than 50% of the total liabilities, to over 70%. Hikma Pharmaceuticals took on in excess of USD 200 million in short-term loans during 2007 to finance the acquisition of Arab Pharmaceutical Manufacturing Company, settled subsequently in 2008 following a private placement to generate funds for this purpose. Overall, bank overdrafts and loans rose from USD 60.95 million in 2006 to USD 334.20 million in 2007. The placement returns were used to reduce the loans balance in 2008, which decreased the outstanding loans to USD 227.71 million. Meanwhile, trade payables, while increasing as a percentage of total liabilities to 22.9% in 2008 from 18.0% in 2007, actually declined by USD 2.32 million to USD 82.00 million over the same period.

	2004	2005	2006	2007	2008
Trade Payables Turnover Ratio	4.87	3.42	3.24	3.29	3.90
Payable Days	74	105	111	109	92

In 2008, Hikma's trade payables turnover ratio rose substantially to 3.90 times, leading the payable days to decline to 92 from 109 days the year prior.

5.3.3 Shareholders' Equity

Since 2004, Hikma's shareholders' equity has grown by a significant CAGR of 43.4%. While the primary driver of the growth over the years has been the strong corporate earnings feeding into the retained earnings account, in 2005 and 2008, credit must be given to the USD 110.07 million and USD 155.91 million increases in the share premium from first taking the Company public and second, from the subsequent private placement.



6.0 FORECAST ASSUMPTIONS

6.1 Revenue Assumptions:

The revenue streams for Hikma over the next five years were projected based on historical performance and taking into consideration existing and expected global market conditions.

Generics

In terms of the generics business line, Hikma's efforts to improve margins in the U.S. and discontinuing low-margin products leads us to expect a slight improvement in performance in 2009 compared to 2008. The continued expiry of patents into 2009 should continue to drive the generics business as a whole, however, we anticipate continued competition from other generics producers, which will confine gross margins to low levels compared to history, although Hikma should benefit from the increased regulatory environment in the U.S, which is helping to eliminate some of the generic competition and ease some of the pricing pressures. New healthcare legislation reform under President Obama is likely to see more cost cutting and heightened competition, which will also damage margins, but will drive growth in volume as healthcare insurance coverage is increased to include 47 million Americans. Therefore, we should see (in 2010 and 2011) an increase in generics sales, after which the sales will continue to grow but at lower margin levels.

Generics (USD '000)	2009F	2010F	2011F	2012F	2013F
Revenues	108,867	114,310	120,026	126,027	132,328
Revenue Growth	*3%*	*5%*	*5%*	*5%*	*5%*
Cost of Sales	(80,561)	(83,446)	(87,619)	(94,520)	(99,246)
Gross Profit	**28,305**	**30,864**	**32,407**	**31,507**	**33,082**
Gross Margin	**26.0%**	**27.0%**	**27.0%**	**25.0%**	**25.0%**

Branded

We anticipate that the branded business will continue to be Hikma's key revenue driver, although we do expect a deceleration in growth going forward compared to the strong results exhibited during 2008 in consequence to the global economic slowdown. The branded business will continue to be strong on the back of Hikma's organic growth and supported by recent acquisitions, favoured by the demographics of the MENA region. In 2009, however, we have decelerated the level of growth to 15% as governments cut down on health spending in response to the financial situation. We also expect a slight decline in margins in 2009 as prices are cut to boost sales, however, we expect them to pick up once again in 2010. For 2012 and 2013, we projected a further decline in the gross margin as competition in the market heightens.

Branded (USD '000)	**2009F**	**2010F**	**2011F**	**2012F**	**2013F**
Revenues	368,963	424,307	487,953	556,266	634,144
Revenue Growth	*15.0%*	*15.0%*	*15.0%*	*14.0%*	*14.0%*
Cost of Sales	(171,568)	(195,181)	(224,458)	(258,664)	(294,877)
Gross Profit	**197,395**	**229,126**	**263,495**	**297,603**	**339,267**
Gross Margin	**53.5%**	**54.0%**	**54.0%**	**53.5%**	**53.5%**

Injectables

We expect growth in revenues from injectables to decline in 2009 for a number of reasons: A substantial portion of injectables are launched in Europe. The strengthening of the dollar against the euro will weaken purchasing power in Europe. Moreover, due to the recession in Europe, we anticipate cuts in government health spending, coupled with increasing competition in the European market, applying downward pressure on prices and reducing sales volumes. In 2010 and 2011, we expect growth to pick up significantly as injectables growth expands in the MENA and U.S. market, but will remain below the weighted average for the last five years, while maintaining strong margins.

Injectables (USD '000)	**2009F**	**2010F**	**2011F**	**2012F**	**2013F**
Revenues	164,252	187,247	215,334	251,941	294,771
Revenue Growth	*10.0%*	*14.0%*	*15.0%*	*17.0%*	*17.0%*
Cost of Sales	(96,744)	(108,603)	(124,894)	(151,165)	(176,863)
Gross Profit	**67,508**	**78,644**	**90,440**	**100,776**	**117,908**
Gross Margin	**41.0%**	**42.0%**	**42.0%**	**40.0%**	**40.0%**

6.2 Balance Sheet Assumptions

We have assumed that all future growth in the Company will be financed from operations and through increased leverage. We have not assumed any further capital increases going forward.

ABC Investments

7.0 VALUATION

Using three types of valuation methods, we arrive at a weighted average fair value for Hikma's stock of 437.67 pence, registering 7.7% higher than the stock's current price, leading us to lend a HOLD recommendation for the stock.

Weighted Average Fair Value per Share			
Valuation Method	**Target Value**	**Weighting**	**Value**
Discounted Cash Flow Model	392.42	60%	235.45
Peer Valuation (P/E multiple)	482.45	20%	96.49
Peer Valuation (P/S multiple)	528.62	20%	105.72
Weighted Average Fair Value (GBP - pence)		**100%**	**437.67**
Current Price (GBP - pence)			406.25
Upward (Downward) Potential			7.7%

7.1 Discounted Cash Flow (DCF)

Our DCF returns a fair value for Hikma of 392.42 pence per share. The WACC was based on a cost of equity of 10.51% and an after-tax cost of debt of 4.73%. A 15% and 85% debt and equity structure was assumed, arriving at a WACC of 9.65%.

(in USD - cents)	2009f	2010f	2011f	2012f	2013f	Terminal Value
Free Cash Flow	67,338	105,656	106,117	111,387	135,633	1,568,006
NPV for Period 2009 - 2013	392,407					
NPV of Terminal Value	989,247					
Outstanding Debt	234,431					
Cash at Beginning of Period	34,533					
Equity Value	**1,182,755**					
# of Outstanding Shares	189,238					
DCF Value per Share (USD cents)	**624.48**					
DCF Value per Share (GBP pence)	**392.42**					

The components of the WACC are as follows:

Cost of Debt	6.53%	Based on effective cost of debt over past 5 years
Tax Rate	27.6%	Based on effective tax rate over past 5 years
Beta	0.88	Source: Reuters
Risk-Free Rate	5.67%	Based on 10-year treasury bond in the U.S., the U.K. and bonds in Jordan, weighted according to Hikma's revenue distribution
Market Risk Premium	5.5%	Global market risk premium taken to be 4.5% - 5.5%
WACC	**9.65%**	
Terminal Growth Rate	**1.00%**	

Sensitivity Analysis

The table below illustrates the sensitivity of the dividend discount model valuation to the inputs of the model. To reflect the extent of this sensitivity, we have performed a sensitivity analysis on the model's two key inputs; the terminal growth rate and the WACC.

(in pence)		Terminal Growth Rate				
		0.00%	0.50%	1.00%	1.50%	2.00%
WACC	8.65%	411.58	432.68	456.54	483.73	515.01
	9.15%	383.51	401.88	422.50	445.81	472.39
	9.65%	358.38	374.47	**392.42**	412.58	435.37
	10.15%	335.76	349.94	365.67	383.22	402.92
	10.65%	315.29	327.85	341.71	357.09	374.25

7.2 Relative Valuation

Based on the average P/E and P/S multiples for the below international peer group and the projected EPS and sales per share for Hikma for 2009 lends a target price of 482.45 pence and 528.62 pence respectively. The peer group was selected based on the 10 companies each within the industries "Pharmaceuticals, Generics and Specialty" and "Pharmaceuticals, Diversified" that had operations, measured in terms of value of sales, most similar to that of Hikma.

Ticker	Name	P/E	P/S
0GD8.L	UCB SA	-	1.15
SHP.L	Shire Plc	43.19	2.55
0IJA.L	Ipsen SA	18.36	2.75
0HLK.L	Krkka dd Novo Mesto	14.64	2.40
SFARMBGN.Lp	Sopharma AD Sofia	19.18	0.80
CHTT.O	Chattem Inc	15.46	2.44
VIRBEUR.Lp	Virbac SA	12.74	1.02
SRZGEUR.Lp	Schwarz Pharma AG	-	13.54
BIOG_pEUR.Lp	Biotest AG	15.11	0.92
PHSTq.L	Farmstandart OAO	18.78	4.59
SAN1LLTL.Lp	Sanitas	-	0.53
MDCO.O	Medicines Co	-	1.05
DECP.L	Dechra Pharmaceuticals PLC	32.32	0.80
MTEX.O	Mannatech, Inc	-	0.27
PBH.N	Prestige Brands Holdings Inc	-	0.98
BMRN.O	Biomarin Pharmaceutical Inc	> 100	4.52
PDLI.O	PDL BioPharma Inc	4.95	2.60
ATBERON.Lp	Antibiotice SA	22.08	1.03
SCDBRON.Lp	Zentiva SA	13.45	1.16
LCPDKK.Lp	LifeCycle Pharma A/S	-	4.68
Average		**19.188**	**2.489**

As of May 24th 2009
Source: Reuters

BALANCE SHEET

	Historical					Forecast				
(in USD '000)	2004	2005	2006	2007	2008	2009F	2010F	2011F	2012F	2013F
Intangible Assets	5,033	7,735	23,940	259,841	258,228	268,762	283,825	303,465	326,051	352,025
Property, Plant & Equipment	71,471	91,209	156,845	246,656	271,650	307,461	347,992	400,924	461,907	532,166
Interest in Associates & Joint Ventures	7,716	9,856	-	4,543	5,453	5,453	5,453	5,453	5,453	5,453
Deferred Tax Assets	171	1,506	5,719	14,503	13,305	13,305	13,305	13,305	13,305	13,305
Financial and Other Non-Current Assets	1,614	2,715	2,018	2,298	2,617	2,200	2,200	2,200	2,200	2,200
Non-Current Assets	**86,005**	**113,021**	**188,522**	**527,841**	**551,253**	**597,180**	**652,775**	**725,347**	**808,916**	**905,149**
Inventories	44,365	58,017	83,720	140,409	154,756	172,554	195,070	221,259	251,068	285,201
Income Tax Recoverable	1,908	1,320	500	358	-	-	-	-	-	-
Trade and Other Receivables	63,732	82,634	121,846	188,275	195,843	224,729	254,053	279,926	308,297	344,904
Cash, Collateralised Cash & Cash Equivalents	49,107	141,079	91,564	34,533	63,546	88,167	111,073	138,250	167,624	198,499
Other Current Assets	1,364	1,891	2,204	2,625	1,061	1,183	1,337	1,517	1,721	1,955
Current Assets	**160,476**	**284,941**	**299,834**	**366,200**	**415,206**	**486,633**	**561,533**	**640,953**	**728,711**	**830,559**
Total Assets	**246,481**	**397,962**	**488,356**	**894,041**	**966,459**	**1,083,813**	**1,214,308**	**1,366,299**	**1,537,627**	**1,735,708**
Bank Overdrafts and Loans	35,108	21,146	35,614	276,537	117,300	177,140	197,218	221,920	250,379	283,166
Obligations under Finance Leases	1,165	797	1,216	1,455	1,221	1,361	1,539	1,746	1,981	2,250
Trade and Other Payables	29,812	44,017	53,916	84,324	82,003	111,640	123,914	139,831	161,392	182,715
Provisions	5,475	7,198	11,112	15,058	17,508	22,966	27,772	31,678	34,909	40,644
Other Current Liabilities	1,672	3,542	4,868	16,662	10,502	11,710	13,238	15,015	17,038	19,354
Current Liabilities	**73,232**	**76,700**	**106,726**	**394,036**	**228,434**	**324,817**	**363,680**	**410,189**	**465,697**	**528,130**
Long-Term Financial Debts	24,291	30,791	25,339	57,662	110,414	75,917	84,522	95,109	107,305	121,357
Deferred Income	591	416	356	279	695	775	876	994	1,128	1,281
Obligations under Finance Leases	2,448	1,411	4,441	5,698	5,496	6,128	6,928	7,858	8,916	10,129
Deferred Tax Liabilities	744	1,162	1,695	11,709	12,425	-	-	-	-	-
Non-Current Liabilities	**28,074**	**33,780**	**31,831**	**75,348**	**129,030**	**82,820**	**92,326**	**103,960**	**117,349**	**132,766**
Total Liabilities	**101,306**	**110,480**	**138,557**	**469,384**	**357,464**	**407,637**	**456,006**	**514,149**	**583,047**	**660,896**
Share Capital	25,269	29,457	29,712	30,229	33,857	33,751	33,751	33,751	33,751	33,751
Share Premium	-	110,074	111,431	114,059	269,973	269,503	269,503	269,503	269,503	269,503
Treasury Shares	(187)	-	-	-	(1,124)	-	-	-	-	-
Reserves	117,408	144,350	203,924	274,192	300,503	366,228	447,540	540,459	641,875	760,916
Equity Attributable to Equity Holders of the Parent	**142,490**	**283,881**	**345,067**	**418,480**	**603,209**	**669,482**	**750,794**	**843,713**	**945,129**	**1,064,170**
Minority Interest	2,685	3,601	4,732	6,177	5,786	6,695	7,508	8,437	9,451	10,642
Total Equity	**145,175**	**287,482**	**349,799**	**424,657**	**608,995**	**676,177,247**	**758,302**	**852,150**	**954,581**	**1,074,812**
Total Liabilities & Equity	**246,481**	**397,962**	**488,356**	**894,041**	**966,459**	**1,083,813**	**1,214,308**	**1,366,299**	**1,537,627**	**1,735,708**

INCOME STATEMENT

	Historical					Forecast				
(in USD '000)	2004	2005	2006	2007	2008	2009F	2010F	2011F	2012F	2013F
Continuing Operations										
Revenue	212,377	262,215	317,022	448,796	580,656	642,081	725,864	823,313	934,235	1,061,243
Cost of Sales	(103,937)	(126,424)	(158,492)	(227,263)	(324,174)	(348,874)	(387,231)	(436,971)	(504,349)	(570,986)
Gross Profit	**108,440**	**135,791**	**158,530**	**221,533**	**256,482**	**293,208**	**338,633**	**386,342**	**429,886**	**490,257**
Sales & Marketing Costs	(19,728)	(27,367)	(35,014)	(61,021)	(90,560)	(96,312)	(108,880)	(123,497)	(140,135)	(159,186)
General & Administrative Expenses	(15,098)	(22,610)	(30,328)	(46,012)	(56,853)	(60,998)	(66,780)	(73,275)	(80,344)	(88,083)
Research & Development Costs	(9,672)	(16,507)	(18,291)	(19,342)	(22,172)	(25,683)	(29,035)	(37,049)	(42,041)	(47,756)
Other Operating Expenses (net)	(1,950)	(1,548)	(588)	(2,760)	(6,215)	(4,445)	(5,025)	(5,700)	(6,468)	(7,347)
Total Operating Expenses	**(46,448)**	**(68,032)**	**(84,221)**	**(129,135)**	**(175,800)**	**(187,438)**	**(209,719)**	**(239,521)**	**(268,988)**	**(302,373)**
Share of Results of Associates	732	1,449	938	-	-	-	-	-	-	-
Operating Profit	**62,724**	**69,208**	**75,247**	**92,398**	**80,682**	**105,770**	**128,914**	**146,821**	**160,898**	**187,885**
Floatation Costs	(425)	(1,426)	-	-	-	-	-	-	-	-
Finance Income	326	1,562	5,258	2,029	817	-	-	-	-	-
Finance Expense	(3,825)	(5,211)	(4,958)	(10,837)	(17,545)	(15,421)	(17,139)	(19,090)	(21,487)	(24,246)
Other Income	224	276	49	199	80	-	-	-	-	-
Profit before Tax	**59,024**	**64,409**	**75,596**	**83,789**	**64,034**	**90,348**	**111,775**	**127,731**	**139,411**	**163,639**
Tax	(20,835)	(19,452)	(19,639)	(19,596)	(6,915)	(13,025)	(16,114)	(18,414)	(20,098)	(23,591)
Profit for the Year	**38,189**	**44,957**	**55,957**	**64,193**	**57,119**	**77,323**	**95,661**	**109,317**	**119,313**	**140,048**
Attributable to:										
Minority Interest	731	1,090	1,435	1,617	(6)	1,310	1,621	1,852	2,022	2,373
Equity Holders of the Parent	37,458	43,867	54,522	62,576	57,125	76,013	94,040	107,464	117,292	137,675
	38,189	**44,957**	**55,957**	**64,193**	**57,119**	**77,323**	**95,661**	**109,317**	**119,313**	**140,048**

KEY RATIOS

	Historical					Forecast				
Key Ratios	**2004**	**2005**	**2006**	**2007**	**2008**	**2009F**	**2010F**	**2011F**	**2012F**	**2013F**
Growth Ratios										
Growth in Revenues	13.2%	23.5%	20.9%	41.6%	29.4%	10.6%	13.0%	13.4%	13.5%	13.6%
Growth in EBITDA	10.9%	3.4%	6.5%	12.5%	-31.1%	46.9%	27.4%	14.9%	7.9%	18.2%
Growth in Net Profit	20.5%	17.7%	24.5%	14.7%	-11.0%	35.4%	23.7%	14.3%	9.1%	17.4%
Growth in Shareholders' Equity	32.9%	99.2%	21.6%	21.3%	44.1%	11.0%	12.1%	12.4%	12.0%	12.6%
Growth in Total Assets	17.2%	61.5%	22.7%	83.1%	8.1%	12.1%	12.0%	12.5%	12.5%	12.9%
Leverage Ratios										
Interest Coverage	16.3	13.1	15.2	8.5	4.6	6.9	7.5	7.7	7.5	7.7
Net Debt/Equity	9.6%	-28.5%	-5.6%	73.6%	28.2%	25.5%	23.6%	22.1%	21.1%	20.3%
Liquidity Ratios										
Current Ratio	2.19	3.72	2.81	0.93	1.82	1.50	1.54	1.56	1.56	1.57
Quick Ratio	1.59	2.96	2.02	0.57	1.14	0.97	1.01	1.02	1.03	1.03
Inventory Days	163	148	163	180	166	171	173	174	171	171
Receivable Days	96	102	118	126	121	120	120	118	115	112
Length of Operating Cycle	259	250	281	306	287	291	294	292	286	284
Payable Days	74	105	111	109	92	100	109	109	108	108
Length of Cash Cycle	185	145	170	197	195	191	184	184	178	175
Turnover Ratios										
Inventory Turnover Ratio	2.23	2.47	2.24	2.03	2.20	2.13	2.11	2.10	2.14	2.13
Debtors Turnover Ratio	3.81	3.58	3.10	2.89	3.02	3.05	3.03	3.08	3.18	3.25
Creditors Turnover Ratio	4.87	3.42	3.24	3.29	3.90	3.60	3.29	3.31	3.35	3.32
Net Fixed Assets Turnover Ratio	3.31	3.22	2.56	2.22	2.24	2.22	2.21	2.20	2.17	2.14
Profitability Ratios										
Gross Profit Margin	51.1%	51.8%	50.0%	49.4%	44.2%	45.7%	46.7%	46.9%	46.0%	46.2%
EBITDA Margin	26.3%	22.0%	19.4%	15.4%	8.2%	10.9%	12.3%	12.4%	11.8%	12.3%
ROAA	16.72%	13.95%	12.63%	9.29%	6.14%	7.54%	8.33%	8.47%	8.22%	8.56%
ROAE	30.59%	21.09%	17.79%	16.81%	11.18%	12.15%	13.47%	13.71%	13.34%	13.94%
Valuation Ratios										
Share Price (GBp)	-	404.75	365.25	473.25	350.00	406.25	406.25	406.25	406.25	406.25
EPS (in cents)	26.3	30.0	32.6	37.0	30.2	40.0	49.5	56.6	61.7	72.5
BV (in cents)	100.1	193.8	206.3	247.3	318.8	352.4	395.2	444.1	497.5	560.1
P/E	-	23.2	21.9	25.4	16.9	16.2	13.1	11.4	10.5	8.9
P/BV	-	3.6	3.5	3.8	1.6	1.8	1.6	1.5	1.3	1.2

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