

Executive Chairman's statement

It was more than 40 years ago that my father founded Hikma with the purpose of making high-quality medicines accessible to those who need them. I am proud that our business has always remained true to this purpose.



This is an exciting time for Hikma as we embark on our next chapter of growth. As we invest in the future, we maintain our commitment to strong corporate governance, the highest quality standards and to improving the lives of our patients and our communities.”

Transformational change in leadership

It has been more than 30 years since I first held an executive leadership role at Hikma. During this period, the Group has grown significantly, expanding into the US and Europe and solidifying our position as the leading local pharmaceutical company in MENA.

In order to deliver the next chapter of growth, the Board and I felt that this year was the right time to bring in new leadership. On 20 February 2018, we announced the appointment of Sigurdur (Siggi) Olafsson as our new Chief Executive Officer (CEO).

As Executive Chairman, I am working closely with Siggi to set and deliver the strategic vision for the Group. I have known and admired Siggi for many years and I am confident that he is the right person to strengthen our business, accelerate our growth and to help us achieve our goal of putting better health within reach for patients across our markets.

Strong corporate governance

Over a number of years, we have been evolving and strengthening the governance of Hikma. This year, we continued on this trajectory, most notably by appointing the first non-family CEO, as discussed above. We also completed the implementation of our succession plan for longer-serving independent directors. Details of the activities of the Board, and its Committees, are laid out in the Corporate governance section of this report.

Supporting our communities

My father's vision was that Hikma would enrich the communities in which we operate and enable a better quality of life for the patients we serve. We strive to fulfil this commitment by increasing access to high-quality medicines across our markets, as well as through donations, fundraising and volunteering. This year, we were very proud to form a four-year global partnership with Direct Relief, one of the

world's leading medical relief organisations, and to become a Patron of The Prince's Trust, the UK's leading youth charity.

Our continued commitment to strong environmental, social and governance (ESG) practices continues to be recognised as demonstrated by our inclusion in the FTSE4Good Index in 2018. Further information on our commitment is provided in the Sustainability section of this report.

Strong financial performance and shareholder returns

The Group has delivered a strong set of results in 2018, ahead of our expectations. Group core operating profit increased by 19% and core basic earnings per share increased by 31%.

Our improved financial performance and significant strategic progress this year has been reflected in our share price which increased by 51% to 1,716p at 31 December 2018. Hikma has a long track record of creating value for shareholders. Over the last five years, we have delivered a total shareholder return of 53%, exceeding the FTSE 100 and the FTSE Pharmaceutical indices of 21% and 49% respectively, over the same period.

We remain committed to delivering consistent dividend payments. The Board has recommended a final dividend of 26 cents per share (approximately 20 pence per share), bringing the total dividend for the full year to 38 cents per share (approximately 29 pence per share), up from 34 cents per share (approximately 24 pence per share) in 2017.

Investing in the future

Across our markets, where increasing competition is putting downward pressure on prices, we need to continuously develop new, more differentiated products to deliver sustainable long-term growth, making pipeline development a key strategic focus.

In recent years, we have made good progress strengthening our R&D capabilities through acquisitions and new hires. However, there is still much to do to increase the number of more specialised products in the pipeline and improve the pace of new product launches. We have recently strengthened our business development capabilities and we will continue working with global partners to co-develop, license and acquire products.

Through our venture capital arm, Hikma Ventures (HV), we are investing in the growing global digital health space. In 2018, we expanded our portfolio with new investments in Click Therapeutics and Nebula Genomics. HV also completed its first successful exit when one of its early portfolio investments was acquired in 2018.

Quality without boundaries

As we grow our businesses and expand our capabilities, we are benefitting from our reputation as a consistent and reliable partner in all of our markets. Hikma has been built on a culture of quality that is reflected not just in the products we manufacture but in our people, our relationships and our thinking. Maintaining a culture with quality at its core will ensure we continue to deliver the highest standards in the future.

Looking ahead

Looking ahead to 2019 and beyond, I am very optimistic for the future of Hikma. Whilst market conditions are likely to remain challenging, we have demonstrated the resilience of our businesses. I believe we have set ourselves the right strategic objectives and have a strong leadership team in place to deliver sustainable growth over the long term.

Finally, I would like to thank my colleagues across the Hikma family for their hard work and dedication, and the healthcare professionals and other stakeholders that we serve for their continued support.



Said Darwazah
Executive Chairman

Total shareholder returns, 2013–2018



■ Hikma Pharmaceuticals PLC
■ FTSE 100
■ FTSE 350 Pharmaceuticals & Biotechnology

Chief Executive Officer's statement

I am very pleased and excited to have joined Hikma as Chief Executive Officer. It has truly been a fantastic year and I want to thank all of our employees for welcoming me so warmly into the Hikma family.



Since joining Hikma in February 2018, I have visited many of our sites worldwide and had the opportunity to speak with employees across the Group and meet with a number of our customers. Having worked in the industry for many years, I have been very impressed with the quality of our facilities and operations and the talent and commitment of our people.

Building a stronger leadership team

To enable stronger decision-making, execution and accountability I have made some changes to simplify our organisational structure. These have included changes to the composition of the executive team, a redefinition of individual roles and responsibilities and the creation of new corporate functions.

Across the Group, we have made a number of new hires to support our leadership teams. The expertise we have added has significantly strengthened our key functions, including our operations, commercial, R&D, business development, legal and compliance teams. We will continue to bring in new talent and expertise where we need it.

Returning to growth

I am very pleased with the performance of the Group this year. Group revenue was \$2.1 billion, operating profit was \$371 million and core operating profit was \$460 million. Each of our three businesses achieved both revenue and, more importantly, profit growth.

The strong performance of our Injectables business in an environment where competition is intensifying, demonstrates the resilience of our portfolio and the scale and flexibility of our manufacturing facilities. I am proud of our team's response to the market shortages of injectable pain management products in the US this year. Our investment in additional capacity and people to rapidly increase production of critical medicines for hospitals demonstrated our commitment to customers and patients as a high-quality, reliable supplier.

By inspiring and enabling our people to develop a portfolio that meets the future needs of doctors and patients, we are building a business that can deliver sustainable growth over the long term."

During a challenging time for the US retail generics industry, our Generics business delivered strong growth in revenue and profitability this year, exceeding the expectations we set at the beginning of 2018. We drove strong demand for our differentiated portfolio and started to see the benefits of the commercial and operational improvements we have initiated.

Our Branded business also achieved good results in 2018, with steady growth in revenue and profitability. We continued to improve patient access to important medicines across MENA, with new product launches and new licensing agreements. In 2018, we began implementing a tiered approach across our 18 MENA markets to prioritise our investments and resources in the markets that offer the highest growth potential.

While our businesses performed strongly this year, we have refined our strategy to ensure we can withstand increasing competitive pressure and are positioned to deliver future growth. We have identified three strategic priorities.



Deliver more from a strong foundation

Hikma has a solid foundation from which to build: a broad product portfolio, a differentiated pipeline, strong commercial capabilities, high-quality manufacturing facilities and an extensive network of global partners. We will leverage these strengths, maximising the value of our products through a focus on commercial and operational excellence and a lean cost base.



Build a portfolio that anticipates future health needs

New products that meet the evolving needs of healthcare professionals and patients will deliver sustainable growth in competitive markets. While our pipeline is good, we can do better. The 6-7% of revenue that we invest in core R&D each year needs to deliver a higher return. We will focus on increasing the number of products in our pipeline and on adding more differentiated and specialised products. Over the next five years, I want our annual revenue from new launches to increase to 10% of Group core revenue up from around 6% today.¹

Alongside our internal R&D programme, we will build on our long track record of successfully working with partners to add innovative and differentiated products through licensing and co-development agreements. A great example of this is the expansion of our partnership agreement with Vectura this year. We are very pleased to be building on our strong relationship to develop and commercialise generic versions of GSK's Ellipta® portfolio, adding to our pipeline of complex respiratory products.

We continue to leverage our position as 'partner of choice' in MENA to add new in-licensed products to our portfolio. In 2018 this included an agreement to license and distribute a portfolio of consumer healthcare products from Omega Pharma Trading NV, an affiliate of Perrigo Company PLC. We are also using licensing as a strategy to add more complex products to our US portfolio. In 2018 this included agreements with Hansoh Pharmaceutical Group Co., Ltd and Beijing Scieure Pharmaceutical Co., Ltd.



2019 is off to a good start and I'm optimistic about the year ahead. We have developed a new strategy, which I'm confident will deliver sustainable growth over the long term."

1. Percentage of core revenue from products launched in 2018 and the second half of 2017.



Inspire and enable our people

It is ultimately our people that will deliver our strategy and achieve our ambitious growth targets. Fostering a culture where people can thrive is a priority in order to retain our best people and to continue attracting new talent.

This is the second year that we have undertaken a global employee survey. The results pointed to several areas where we are doing well and also identified others where we can improve. Employee engagement was 69% in 2018, which was a promising improvement over last year. Continued improvement in the levels of engagement and enablement across the Group are a priority for all of Hikma's leadership team. We want to make Hikma an inspiring place to work and we are launching several initiatives to achieve this.

For the first time, we held a Global Leadership Conference in 2018, which brought together 180 leaders from more than 20 countries

across our organisation. It gave us the opportunity to collectively discuss the future growth and direction of Hikma and was invaluable in connecting and motivating our global leaders.

In 2018, we launched our refreshed global brand and transitioned all of our businesses under the Hikma name. This is proving to be a powerful tool in unifying our people behind a shared vision and purpose of putting high-quality medicines within reach of those who need them. The brand is helping us be more aligned and work better together, and articulates the value Hikma provides for doctors and patients.

Maintaining high-quality standards

Quality has been a cornerstone of Hikma since its inception. Our investment and commitment to quality has always been an important differentiator for us. In 2018, our teams were able to supply critical medicines to hospitals when competitors were struggling to supply, strengthening our reputation as a manufacturer that our customers and

our global partners can trust. This was reinforced by five US FDA inspections at our manufacturing plants in Cherry Hill, Columbus, Eatontown, Portugal and Germany this year; all of these inspections resulted in zero critical observations.

Outlook

The Group delivered a strong financial performance in 2018 and we have started 2019 in a good position. We still have work to do to strengthen our base business and develop a pipeline that can deliver sustainable growth over the long term. However, the progress that we have made so far is considerable and I am confident that we can build on this to deliver Hikma's next chapter of growth.

Our business has a positive and important impact on people's lives around the world, so I want to thank all of our employees, our customers and our partners for helping us to put better health within reach every day for millions of people.

Siggi Olafsson
Chief Executive Officer



CEO Siggi Olafsson presenting to Hikma's management team at the Global Leadership Conference