

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