

Executive Chairman's statement



Our strategy is delivering results. Hikma achieved a robust financial performance in 2019 and we are investing in the future to drive sustainable long-term growth and create continued value for shareholders.

Clear purpose and values

Hikma's founding purpose was to put better health within reach every day by producing high-quality medicines and making them accessible to those who need them. I am proud that everything we do at Hikma, from the strategic decisions we make to the culture we foster, enables us to remain true to this purpose.

We have evolved from a family company to a global company with family values: integrity, respect, excellence and transparency. We are building a culture that reflects our values, encourages employees to perform at their best, shows consideration for one another and embodies openness, communication and accountability.

Building a strong culture

Having the right organisational culture – a culture that believes in our vision and is committed to delivering our strategic objectives – is critical to achieving long-term success. We undertook our first Group-wide culture survey in 2019, with 73% participation. The survey provided important insights into where we excel and where we need to improve. Our employees have tremendous pride in working for Hikma and believe in the positive impact of our business, but they are also seeking opportunities for further professional development and responsibility.

Ensuring broad stakeholder engagement

We are committed to engaging with all our stakeholders, including shareholders, patients, healthcare professionals, customers, suppliers, regulators and the communities in which we operate. Continuous engagement with a broad range of stakeholders informs our day-to-day commercial and operational decisions, as well as our long-term investments in our business and our people. This enables us to fulfil our commitment to be a high-quality, reliable supplier of essential medicines to those that need them.

Since our founding, the principle of supporting the communities in which we have a presence has been integral to how we operate. We do this through the provision of high-quality medicines, raising health awareness, investing in our businesses and employees, and through donations, fundraising and volunteering. We are proud of the positive impact we have on millions of lives. More detail on our stakeholder engagement is provided on pages 10 to 11 and 102 to 103.

Operating responsibly

We continued to focus on our six adopted UN Sustainable Development Goals (SDGs). For example, we are committed to making our operations more energy efficient and undertook a number of related projects during the year. We also remained a constituent of the FTSE4Good Index, as we have been for the past five years. More detail provided on pages 34 to 35.

Maintaining strong governance

The Board and I worked closely with our CEO, Siggí Olafsson, the Executive Committee and the wider leadership team in 2019. This included a thorough review of the strategic priorities for the Group. We met with management teams and employees to assess and give guidance on the growth opportunities, challenges and risks for our businesses. The Board and I are confident that our strategic direction and priorities will drive continued success. Our strategy is set out in detail within Siggí's statement and on pages 16 to 17.

One of our Directors, Nina Henderson, is responsible for ensuring our employees' perspective is considered in the Board's decision-making. In this role, Nina has met with employees at all levels in the organisation, visiting a number of our sites and has attended various internal meetings, including our global leadership conference. She is also a member of each Board Committee. Nina's role is one of a number of ways that we are ensuring the Board is more connected to the employee experience.

We continue to advance our strong corporate governance practices each year through Board appointments and role changes, succession planning and dialogue with stakeholders. Details of the activities of the Board and its Committees are set out in the Corporate governance section of this report on pages 54 to 105.

Robust financial performance and shareholder returns

Our strategy is delivering results. While the market remains highly competitive, the Group delivered another strong performance in 2019. Group core operating profit increased by 10% and core basic earnings per share increased by 9%.

Hikma has a long track record of creating value for shareholders. Over the last ten years, we have delivered a total shareholder return of 345%, exceeding the FTSE 100 and the FTSE Pharmaceutical total shareholder returns of 104% and 206% respectively.

We remain committed to consistent dividend payments. The strong financial performance in 2019, the strength of our balance sheet and confidence in our outlook mean that the Board has recommended a 16% increase in the total dividend for the full year in 2019 to 44 cents per share (approximately 34 pence per share), up from 38 cents per share (approximately 29 pence per share) in 2018.

Looking ahead

I believe we have the right team and strategy in place to deliver long-term sustainable growth and continue to create value for all of our stakeholders. I would like to thank my colleagues across the Hikma family for their hard work throughout 2019 and our shareholders, customers and stakeholders for their continual support.



Said Darwazah
Executive Chairman

Chief Executive Officer's statement



2019 was another very good year for Hikma. I am proud of what our teams have achieved, enabling us to provide high-quality medicines to the people that need them.

In my statement to you last year, I set out our three strategic priorities:

Deliver more from a strong foundation



Build a portfolio that anticipates future health needs



Inspire and enable our people



As I reflect on 2019, I am pleased with the progress we have made to strengthen our operations, build our portfolio and pipeline, form new partnerships, develop our people and attract new talent across the Group. These efforts will enable us to deliver sustainable long-term growth and create significant value for shareholders.

Strong financial results

All of our businesses achieved strong organic growth in 2019. We delivered more from our unique business model, leading market positions, diversified portfolio and successful pipeline launches. Group revenue grew 7% to \$2.2 billion, operating profit grew 33% to \$493 million and core operating profit grew 10% to \$508 million.

The resilience of our Injectables business reflects the strength of our market position as a top three supplier of generic injectable products in the US, the breadth and durability of our portfolio, and the quality of our operations. We launched 69 injectable products across our markets in 2019 and continued to invest in a pipeline to drive future growth.

Our Generics business outperformed our expectations. Our strengthened commercial team and operational enhancements improved customer relationships and service levels, stimulating increased demand for our differentiated portfolio. Manufacturing efficiencies and cost savings also improved our profitability.

The Branded business grew steadily in 2019, with good performance across most of our markets more than offsetting lower sales in Algeria. We have embedded our tiered-market strategy and prioritised our therapeutic areas, to include oncology, diabetes, central nervous system (CNS) and respiratory. We launched 35 products across the region and continued to add innovative products through partnerships.

In all of our businesses, ensuring quality in everything we do remains our overarching priority. The quality of our products, processes, partnerships, people and thinking has always been a key differentiator for us and remains a critical success factor. We continuously review our quality systems and procedures, and I have recently established a Hikma Quality Council, which I chair, to ensure we maintain the necessary oversight and share best practices across the Group. In 2019, we had five inspections by the US Food and Drug Administration (FDA) across our facilities, and no critical observations.

At a time when a large number of essential medicines are in short supply, particularly in the US, I am proud of the role that we continue to play in alleviating shortage situations. I believe the decision by Civica Rx, the US non-profit organisation established to reduce and prevent drug shortages, to select Hikma as a partner for essential generic medicines is an endorsement of our reputation as a reliable, high-quality supplier.

Deliver more from a strong foundation



Our steps to strengthen our foundation over the last two years have stabilised our business. We have delivered more value from our differentiated in-market portfolio, successfully launched new products, become a more trusted strategic partner for customers and improved service levels. We have reduced costs, increased capacity utilisation and improved business processes, including the increased use of cost-effective digital technologies. We have also simplified our organisational structure, implementing changes that mean operational decision-makers, intellectual property and business activities are now more closely located.





We made good strategic progress in 2019. We have a strong foundation from which to build and I am confident in the outlook for 2020."

Building a portfolio that anticipates future health needs



Key to our success is building a portfolio of complex and differentiated products. As I highlighted last year, the investment we are making in R&D of 6% to 7% of revenue, is the right level. However, I want to optimise this spend, be more ambitious in the projects we undertake and increase the return on investment, so that by 2023, 10% of annual revenue comes from new launches.

We strengthened our global R&D function with the appointment of Shahin Fesharaki in 2019 as our Chief Scientific Officer. Shahin's experience will improve processes and increase productivity, increasing the number of filings, improving submission times and building momentum in new product launches.

Across our businesses, we are focusing our R&D on more complex products. In Generics, the completion of our clinical endpoint study for generic Advair® was an important milestone in our respiratory programme. We also acquired pipeline products from Insys that will enhance our position as the largest supplier of nasal spray products in the US. In Injectables, we launched our first pre-filled syringe in the US and continued the roll-out of our Celltrion biosimilar product, Remsima®, in MENA.

We signed licensing deals in 2019 that will enable us to bring more complex products to the market in the coming years. In MENA, we signed new licensing agreements with partners including Gedeon Richter and Chiesi, adding novel anti-psychotics, respiratory and neo-natal products to our portfolio. In the US, we signed further licensing agreements, including an agreement with Sciecare for a niche injectable anti-viral medicine. Adding specialty products that complement our existing portfolio and leverage our commercial and manufacturing capabilities will continue to be a focus.

Inspire and enable our people



The people at Hikma are key to our success. Retaining and motivating our people and attracting new talent are a key part of our strategy. In 2019, our employee retention was 88%. We continued to invest in developing our people and we recruited experienced talent across the Group.

We want to have an innovative and results-oriented culture, where people can thrive and do their best work. In 2019, we implemented new initiatives to improve employee engagement and enablement and we did more to promote communication and collaboration across the organisation. We held our second global leadership conference, which was a fantastic forum for sharing experiences and best practice across the business and networking with colleagues.

As noted by the Chairman, the first all-employee global culture survey we undertook provided important insight into where our culture is strong and where improvements are needed. These initiatives will be a key management focus in 2020.

Outlook

So where do we go from here? Our focus is on the current business. There is more we can do to drive value from our large product portfolio, improve our processes, increase efficiencies and reduce cost. We are focused on increasing our share in existing markets. We are building a pipeline that will help us deliver sustainable, long-term growth.

I am very proud of what we do at Hikma. We have performed very well in 2019; we have a strong foundation on which to build and I am confident in the outlook for 2020 and beyond. Every day, our businesses are having a positive and important impact on people's lives around the world. I want to thank all of our employees, customers and partners for helping us put better health within reach, every day for millions of people.

Sigurdur Olafsson
Chief Executive Officer