

At Hikma we focus on quality and reliability in everything we do.

Said Darwazah
Executive Chairman



Importance of our purpose

Hikma's purpose to put better health within reach, every day drives us to bring important, quality and affordable medicines to people who need them. In 2020, the COVID-19 pandemic truly galvanised this mission. I am proud of the role we have played, along with many others in the pharmaceutical industry, in coming together to help healthcare professionals and healthcare systems manage the disease.

Throughout this challenging year, we prioritised the health and safety of our employees and I would like to thank them all for their continued hard work and dedication during these challenging times. Our employees are driven by our purpose, meaning they have continued to make an important and meaningful impact not only in the fight against COVID-19, but in continuing to provide a reliable supply of the important medicines needed by all our customers and patients around the world.

Quality and reliability

A founding principle of Hikma is the importance we place on quality and reliability. Our customers trust us to deliver high-quality and affordable medicines when they need them. In recent years we have invested significantly to ensure we maintain this quality and reliability as we grow. One example of this investment is our new high-containment facility in Portugal, which proved vital in fulfilling demand for our Injectables products this year.

We responded quickly at the outset of the pandemic, adapting our ways of working to adopt social distancing at our facilities. All of our plants were operating at the highest capacity possible under the circumstances as our people worked overtime to meet the surge in demand. Through these efforts, we ensured that as many of our geographies went into lockdown, Hikma's high-quality products continued to reach customers and patients around the world.

Communities and our responsibility to give back

Fulfilling our purpose of putting better health within reach every day is not only about providing medicines. We have a strong legacy of supporting the communities in which we live and work, and in 2020 these efforts were particularly important.

In the US, our teams worked together to make food donations, tackling the issue of food security brought about by the pandemic. Together we helped provide more than 600,000 meals through our food bank partnerships in Ohio and New Jersey, where our key operational centres are located.

In Beirut, following the terrible explosion in August, we were on the ground immediately, delivering medicines, which we donated to hospital groups in the region. We also worked with the charity Anera in Lebanon to help provide specialised medicine to nearly 100 children suffering from sickle cell disease.

You can read more about our community outreach and stakeholder considerations on pages 23 and 39-43 of this report.

Our culture and our people

In 2020 we introduced our new corporate culture programme anchored on the twin pillars of progress and belonging, and powered by three core values: innovation, collaboration and caring. These values guide our behaviours and help foster an environment where everyone is appreciated and can do their best work.

We conducted a company-wide employee survey, for which we had a 90% response rate. The results show our engagement scores improving, highlighting the pride that employees have in working for Hikma.

We value diversity in our workforce, and we are implementing policies and programmes, to ensure that we are the inclusive and inspiring place to work that our founder set out to establish.

We have established the Diversity Equity and Belonging (DEB) Task Force, a sub-committee of the Executive Committee, to oversee the adoption of a more inclusive approach to employee recruitment, retention and promotion. In the US we have established the Black Employees Advisory Board, an employee-led initiative to enhance our diversity, equity and belonging goals.

Corporate governance

Our CEO, Siggí Olafsson, has been in the role for three years now and I am delighted with the progress we have made since he joined. Siggí has energised the business, helped us build on our strong foundations, and not lost sight of the important qualities and principles upon which Hikma was founded.

This year we have seen continued evolution of the Board, with the appointment in May of Douglas Hurt, who has taken on the role of Chair of the Audit Committee, and the departure in June of Dr Jochen Gann, who made a valuable contribution to Hikma during his tenure. More recently Robert Pickering, who joined the Board in 2011 and served as Senior Independent Director from 2014, stepped down. Robert has been a tremendous asset to Hikma and provided invaluable counsel over the past ten years, for which I am deeply grateful.

Further detail on the activities of the Board and its Committees are set out in the Corporate governance section of this report on pages 62-108.

Financial performance and shareholder returns

Hikma performed well in 2020 with good revenue growth and an improvement in core profitability.

The business has cemented its strength in the debt capital markets, with the raising of a new \$500 million Eurobond in July, following the repayment of our previous bond in April. Furthermore, during the year we achieved investment grade status from two ratings agencies – an accomplishment which reflects the quality of the business.

In June, Boehringer Ingelheim (BI) exited entirely from its strategic stake in Hikma, and we took this unique opportunity to utilise our balance sheet strength and repurchase a portion of BI's holding. The purchase highlights the Board's conviction in the continued success of Hikma and its long-term growth prospects. Our strong balance sheet enabled us to comfortably undertake this transaction whilst maintaining continued financial flexibility.

We remain committed to paying a dividend to our shareholders. Acknowledging the strong financial performance in 2020, as well as our robust balance sheet, the Board has recommended a final dividend of 34 cents per share. Combined with the interim dividend of 16 cents per share, this represents a 14% increase in the total dividend for the full year in 2020, to 50 cents per share (approximately 36 pence per share), up from 44 cents per share (approximately 34 pence per share) in 2019.

Future prospects

The strategy we set out when Siggí joined Hikma in 2018 is delivering results. A focus on the foundation has helped deliver a strong performance this year, and our pipeline is expanding as we continue to invest in R&D to drive future growth.

Our people and culture are vital to our success and we continue to focus on the importance of a diverse and energised workforce. I would like to thank all of our employees, as well as our customers, suppliers, shareholders and other stakeholders as we look forward to continued success in 2021.

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Our values

To foster a culture of progress and belonging, we have three core values:

Innovation

We keep learning, inspire others and find a better way



Collaboration

We keep it simple, deliver together and take ownership



Caring

We make a difference, do the right thing and respect others



Find out more about our values on page 25.

Our aim is to be a trusted and reliable partner, putting better health within reach, every day.

Siggi Olafsson
Chief Executive Officer



We faced a year of challenges and opportunities in 2020. I am enormously proud of how adaptive and resilient our employees were in the face of a global pandemic and am grateful for their unwavering commitment to maintaining the supply of vital medicines for patients across our markets.

I would like to thank every one of our employees for their hard work during this challenging time.

Operating in challenging times

When the impact of the pandemic began to be felt around the world, we reacted quickly, taking early measures not only to safeguard our employees, but also to ensure consistency of supply of critical medicines. We set up response teams at group, regional and local levels, to ensure consistent communication. Those of our employees who could work from home did so. Our operations teams adjusted our shift schedules and introduced social distancing protocols that enabled us to keep our plants operational. Meanwhile, our procurement team worked tirelessly with our suppliers to manage and prevent any potential issues in our ability to deliver finished products.

As a result of our early actions, we were able to supply our customers with vital medicines, ensuring that we delivered on our purpose of putting better health within reach, every day.

Whilst we saw strong demand for certain products used in the treatment of COVID-19 patients, we also remained focused on our broader portfolio, continuing to make high-quality and affordable medicines accessible, to enable people with other conditions to live their lives.



Our Injectables business played a key role in the early response to the pandemic.



Executing on our strategy

Our strategy is focused on three pillars:

Deliver more from a strong foundation



Build a portfolio that anticipates future health needs



Inspire and enable our people



Our Generics business now has a core operating margin percentage in the low twenties. We have expanded our profitability significantly in recent years, from 4% in 2017, and I have the team to thank for this achievement. We ensured we were in constant touch with our customers as we focused on reinforcing these relationships through an emphasis on maintaining high service levels. We have also continued to leverage our manufacturing flexibility, enabling us to adjust production to meet demand, whilst also limiting backorders.

Our Branded business has once again delivered good revenue growth in constant currency and stable margin despite some COVID-19 pandemic-related disruptions. We benefited from our strategic focus on our Tier 1 markets, with good performances in Algeria, Egypt and Saudi Arabia. I am thankful to the team for navigating the market environment, adapting our ways of working and ensuring that our strong presence in the MENA region is maintained.

Our Injectables and Branded business have also strengthened and delivered on their pipelines. The Injectables team added 77 products to our global portfolio and signed new licensing deals. In the US we launched propofol during the year, an important product in the treatment of COVID-19 patients. In MENA we agreed to licence and distribute Sun Pharma's ILUMYA™, an innovative biologic injectable product for the treatment of psoriasis, strengthening our biotechnology and dermatology portfolio. Meanwhile the Branded team has continued to launch new products, including Reagila® (cariprazine), a medicine licensed from Gedeon Richter, used in the treatment of schizophrenia and other mental illnesses. Several of our launches were carried out virtually, with much of our promotional activity moving away from in-person interaction during the period due to social distancing measures.



Championing our people

Our talented and dedicated employees are the lifeblood of Hikma, and critical to our strategy is the recruitment and retention of the best talent. I firmly believe that having a culture which engages and energises our people results in a stronger business.

As set out in the Chairman's statement, we have worked on our culture and values during 2020. This has been an important project for Hikma and I am excited by the evolution that has taken place. We are committed to building a culture of progress and belonging, where everyone at Hikma can do their best work.



Building on our strong foundation

When we set out our strategy in 2018, we highlighted the importance of Hikma's strong foundation and it is through our focus on this that we have been able to meet the challenges presented in 2020.

Our Injectables business played a key role in the early response to the pandemic. In the US, many of our established respiratory, pain, anaesthetic and sedative products were in high demand in intensive care wards, as hospitals managed a significant number of ventilated COVID-19 patients. In Europe, we further expanded our manufacturing facilities and won important contract manufacturing business, including for the manufacture of remdesivir, one of the key drugs to be used to treat patients with COVID-19. In MENA our injectable biosimilar products continued to perform well as we launched into new markets.



Expanding the portfolio

During 2020, we continued to launch new products and grow our pipeline. Our Generics business had six launches in the year, including generic Zortress®, where we launched as the only available generic. We also accelerated our launch of icosapent ethyl capsules, following receipt of US FDA approval and a favourable court ruling in the year. We launched with limited quantities and expect to increase our supply over the course of 2021. We were pleased to receive approval for generic Advair Diskus® at the end of the year. We have temporarily paused the launch of this product while the FDA reviews an amendment to the application. For more information on generic Advair Diskus® please see page 31 of this report.



In 2020 we refreshed Hikma's values, and now have the twin pillars of progress and belonging at the heart of our culture.



Delivering a strong financial performance

By executing our strategy, in 2020 core Group revenue grew 6% to \$2.3 billion and core Group operating profit grew 11% to \$566 million. This strength was also reflected in our cash flow, with a net operating cash flow of \$464 million.

As a result of this good cash performance, and accounting for our capital investments made during the year, as well as the share buyback, we exited the year with a robust balance sheet, and gearing of 0.9x net debt to core EBITDA.

Operating responsibly

Hikma is committed to providing better health, supporting education and helping people in need.

We have several charitable partnerships across our markets, including with Save the Children and the Prince's Trust, through which we support the education of young people in need.

We are undertaking a review of our impacts around Environmental, Social and Governance (ESG) issues in 2021. As a part of this, we are working to understand better our impact on the environment, and to align our environmental disclosure and internal processes with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This will ensure effective management of climate-related issues within our business as we work to both adapt to a changing environment and limit our negative environmental impact where we can.

You can read more about the initiatives in place in the Sustainability section of this report, on pages 38-51.

Positioned well for the future

The Group performed well in 2020 and we have started 2021 in a strong position. I am excited about the opportunities ahead for each of our three businesses. The Branded business has demonstrated its resilience and adaptability, which we will leverage in 2021 as we introduce new products to the market. Our Injectables business is an established top three player in the US, and continues to show significant growth in Europe and MENA. For Generics, we have a strong pipeline of opportunities ahead and look forward to building on the strong 2020 performance.

I am profoundly aware of the important impact Hikma has in improving the lives of millions of people around the world, and the communities in which we operate. I would like to thank all of our stakeholders, including employees, customers, partners and shareholders, who collectively enable us to put better health within reach, every day.