Executive Chairman's statement

We operate with one driving purpose: to put better health within reach every day.

Said Darwazah
Executive Chairman

Executing on our purpose

The pandemic has presented challenges for us, for our customers and, most critically, for patients. Remaining focused on our purpose – to put better heath within reach, every day – we have navigated these challenges successfully.

Since the outset of the pandemic, we have been committed to making sure patients have the medicines they need, when they need them. We have listened to our customers – healthcare professionals, hospitals, pharmacists, wholesalers – and have responded quickly and effectively to their rapidly changing demands, leveraging the breadth of our portfolio and the quality and flexibility of our US, Europe and MENA-based manufacturing facilities.

At the same time, we have continued to strengthen our operations so that we can better serve our customers. We have placed an enhanced focus on our procurement practices, carefully managed inventory levels and engaged regularly with our suppliers.

Throughout the pandemic, our people have shown an unwavering commitment to serving patient needs, despite the many challenges that were presented. We care for our employees and have worked hard to make sure that they are benefitting from a strong culture and inclusive work environment and that they have attractive development opportunities.

Generating returns for our shareholders

Hikma has once again delivered a strong financial performance in 2021, growing revenue, expanding core operating margin and generating strong cash flow. Group core basic earnings per share in 2021 grew by 13%. Return on invested capital[1] was 17.1%, demonstrating our efficiency at allocating capital and generating value.

This growth is consistent with our long track record of creating value for our shareholders. Over the last ten years to 31 December 2021, we have delivered a total shareholder return of 313%, compared with 94% for the FTSE 100 and 177% for FTSE 350 healthcare companies.

We remain committed to our consistent dividend payments and are pleased to confirm a final dividend of 36 cents per share for 2021. Combined with the interim dividend of 18 cents per share, this represents a 8% increase in the total dividend for 2021.

Reinforcing our commitment to quality

At Hikma, we continue to stress the importance of quality and reliability. Quality underpins our business in different ways, be it the medicines we deliver to our customers, the facilities and processes we have in place to create and sell those medicines, as well as the quality of our people.

We have built our reputation on manufacturing high-quality medicines, and it is important we ensure that quality remains at the core of what we do. We maintain this quality focus through a variety of means, including internal quality culture campaigns, ongoing quality audits of our manufacturing sites and key suppliers run by our Quality team, continuous monitoring and improvement of quality metrics and the provision of reports to the Executive Committee by the Hikma Quality Council.

In 2021 we introduced a new Code of Conduct, with quality at its centre. Our Code calls on us to adhere to the highest ethical standards and to maintain the trust of our colleagues, customers and ultimately the patients we serve.

I am immensely proud of how our people have continued to deliver on our purpose in the face of ongoing disruption from the pandemic

17.1%
Return on invested capital[1]

Our responsibility

We are focused on putting better health within reach for patients, but our approach to operating responsibly goes beyond this. We work hard to ensure we are also helping our communities in other ways: through medicine and food donations, our work in supporting education or helping in crisis situations. We also closely track our impact on the environment, and for the first time this year have introduced a target to reduce our carbon emissions. The 'Acting responsibly' section of this report, on pages 37 to 49 provides more information on all of our work on these areas, with some case studies demonstrating what we are doing.

Board evolution

Looking to 2022 and Board composition, Pamela Kirby will not stand for re-election to the Board at our Annual General Meeting in April. Pam joined the Board in 2014 and assumed the role of Remuneration Committee Chair in 2016. On behalf of the Board, I extend our heartfelt appreciation to Pam for her steady and thoughtful counsel during her tenure.

Nina Henderson will take over as Remuneration Committee Chair. Nina joined the Board in 2016 and will bring extensive executive management and board experience to this important role.

Driving future growth

Hikma has three strong businesses, an extensive product portfolio and a broad footprint of high-quality, flexible manufacturing facilities, all of which contribute to the good market positions we hold. We are now looking to build on this, with a focus on increasingly complex and specialised medicines, and capitalising on the growth opportunities that best benefit our customers and all our stakeholders. Importantly, in 2021, we made great strategic progress on this, with acquisitions and business development opportunities adding to the growth potential. We have a strategy in place which is delivering results, as demonstrated by our strong financial performance in 2021, and I look forward to keeping you updated as we continue to grow.

1. Return on invested capital is calculated as core operating profit after interest and tax divided by invested capital (calculated as total equity plus net debt)

We have delivered another strong financial performance through the successful execution of our strategy, and we are investing for the future.

Siggi Olafsson
Chief Executive Officer

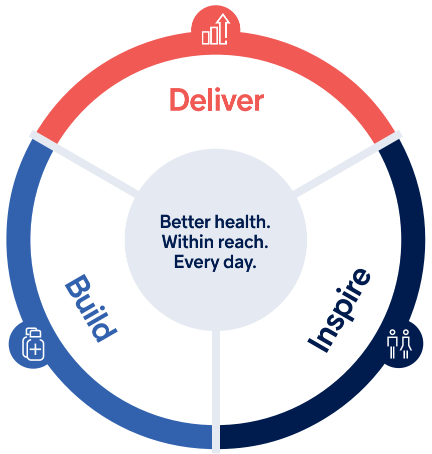
The past year has been one of continued progress for Hikma. We have launched important products across our markets, developed our portfolio and pipeline and achieved consistency and reliability of supply in a market that has continued to be impacted by the pandemic.

While delivering for patients today, we have also invested for the future, ensuring we are well placed to continue to thrive and deliver on our purpose over the long term. Crucially, we are doing this while acting responsibly, making a positive impact on the communities in which we operate as well as minimising our impact on the environment.

Strategic progress

In early 2018, I set out strategic priorities for the Group – to deliver more from our foundation, to build a portfolio that anticipates future health needs and to inspire and enable our people.

Since then, we have made excellent progress against all three priorities. Each of our businesses as well as our Group functions are on a stronger footing today and we are well placed as we look towards our next chapter of growth.



Deliver more from a strong foundation

Our KPIs:
- Core revenue
- Core operating profit
- Return on invested capital

Build a portfolio that anticipates future health needs

Our KPIs:
- Core revenue from new products launched

Inspire and enable our people

Our KPIs:
- Employee enablement
- Employee engagement

To find out more see 'Our progress' on page 22.

Strong financial performance

We grew Group revenue 9% in 2021, to $2,553 million and Group core operating profit was $632 million, an increase of 12% on 2020. This impressive performance was also reflected in our cash flow, with cash flow from operating activities up 38% to $638 million.

We were able to invest in acquisitions and business development opportunities while also maintaining a strong balance sheet, exiting the year with gearing of 0.6x net debt to core EBITDA.

Our Injectables business achieved good growth in 2021 across all our regions. Thanks to the breadth of our portfolio, extensive and flexible manufacturing facilities and our resilient supply chain, this remains a strong, differentiated business. In the US, we continue to play a leading role in supplying hospitals with the medicines they need and are the second largest supplier of generic injectables by volume, with our portfolio of over 120 products. Since December, we are also supplying hospitals with compounded pharmaceutical products out of our new sterile compounding facility in Dayton, New Jersey.

We remain focused on having a portfolio fit for the future, with ongoing new launches, and are also building our portfolio and pipeline through acquisition and partnership, including licensing two new biosimilars for the US.

We already have experience commercialising biosimilars in MENA, where these products contributed to our growth in 2021. We are seeing good growth in Europe, as we increase supply of our own products, and enter new markets, such as France. We have also benefitted from valuable contract manufacturing opportunities, leveraging our extensive lyophilisation capacity in Portugal.

Our strategy continues to deliver good financial results and we were pleased to grow revenue 9% and core operating profit 12% in 2021

Our Generics business has seen significant revenue growth and margin expansion in recent years. Since I joined in February 2018, we have grown Generics revenue at a CAGR of 6% and, through our continuous focus on optimising our cost base and driving operating efficiencies, our margins are now some of the highest in the industry. While the US generic market remains highly competitive, as evidenced by accelerating price erosion, we are demonstrating our ability to more than offset competitive pressures through our strong commercial and manufacturing capabilities and the successful execution of our pipeline.

In 2021, we added seven new products to our Generics portfolio, including generic Advair Diskus® and our novel naloxone nasal spray, Kloxxado™, an important new treatment for reversing the effects of opioid overdose. These two products are great examples of the more complex generic and specialty branded medicines that we are prioritising and producing from our state-of-the-art manufacturing facility in Columbus, Ohio.

In our Branded business, we have continued to strengthen our market position across the region. Our strategy of tiering these markets – focusing investment in markets with the highest potential – is paying off, with two of our Tier One markets – Algeria and Egypt – performing strongly in 2021, more than offsetting changes in the tender market in Saudi Arabia during the year. Our business in Algeria is benefitting from new product launches and a new oral oncology plant – the first of its kind in Algeria. We are also seeing good growth in our other markets such as Morocco, Jordan and UAE.

Partnerships are of particular importance to our Branded business and we continued to sign new licensing agreements in 2021, strengthening our pipeline of innovative products for our MENA markets. We have also built on our in-house R&D efforts and our pipeline of our own branded generics.

To find out more see 'Business and financial review' on pages 24 to 34.

Strategic priorities

Adding differentiated products through R&D and BD

As we look ahead, we are building a differentiated portfolio that anticipates future health needs. This ambition is being realised as we add complex and specialty products to our portfolio and pipeline and is fundamental to ensuring we continue to grow.

Our R&D efforts are focussed on developing products where there is a patient need. In 2021, we spent 6% of revenue on R&D, in line with our target of 6% to 7%. We also strengthened our R&D capabilities, expanding our R&D network with the development of a new site for complex injectables in Warren, New Jersey, and we will be adding R&D capabilities through the acquisition of Custopharm[1], the generic injectables business.

Partnerships are integral to Hikma's strategy. In 2021, we entered into new partnerships and built on existing ones in each of our businesses. Some of these opportunities will contribute in the near term, while others will help to drive future growth. The biosimilar deals we signed with Bio-Thera and Gedeon Richter will enable us to bring important complex injectable medicines to the US in the medium term.

Partnerships are integral to Hikma's strategy. 2021 saw continued momentum as we entered into new partnerships and built on existing ones in each of our businesses

Investing in new technologies and capabilities

In 2021, we continued to expand our manufacturing capacity and enhance existing facilities to stay at the forefront of manufacturing excellence. We invested in new filling lines, expanded warehousing and enhanced capabilities across our operational footprint. We also invested in a new facility in Dayton, New Jersey which will carry out sterile compounding activities for our Injectables business. With this new facility, our focus on quality and our deep relationships with hospitals in the US, we will be able to satisfy a growing need for ready-to-administer formats of medicines.

Utilising our balance sheet

We are deploying our balance sheet to build our growth prospects. In 2021 we announced the acquisition of Custopharm, which will expand our portfolio of marketed products, bring promising new pipeline opportunities, and expand our R&D capabilities. Post year-end, we announced our expansion into Canada with the acquisition of Teligent's Canadian assets. Our teams will continue to assess opportunities as they arise to ensure we are deploying our capital in line with our strategy and delivering long-term value to our shareholders.

Building our culture of progress and belonging

Hikma is an inclusive place to work, underpinned by our strong culture of progress and belonging and our values: innovative, caring and collaborative.

Throughout 2021, we worked to reinforce our values and ensure they are reflected in our strategy, practices and policies. Shaping our culture and equipping our people with the right tools to be at their best continues to be of absolute importance. To this end, we evolved our Diversity, Equity and Inclusion Committee, which supports diversity and inclusion initiatives, such as our new employee resource groups programme, and continued to invest in upskilling our people through a number of hybrid learning and development programmes.

In a year when our people continued to adapt and stepped up to keep our business operational, our strong culture enabled us to be resilient, perform at our best and provided us with the opportunity to explore new ways of working together both internally and with our partners and customers.

You can find more information on how we train and retain the best talent in the 'Acting responsibly' section of this report on page 42.

Selected deals signed in 2021:

April

AFT Pharmaceuticals for Combogesic® IV in the US

Melinta Therapeutics for Vabomere® and Orbactiv® in MENA

August

Bio-Thera Solutions for ustekinumab (biosimilar to Stelara®) in the US

September

FAES Farma for Bilastine tablets in the US

November

Almirall for Finjuve™ in MENA

December

Gedeon Richter for denosumab (biosimilars to Prolia® and Xgeva®) in the US

1. Subject to FTC approval

Long-term, sustainable growth

By executing on R&D, establishing strong partnerships, expanding our specialty portfolio and building our compounding business, we will further diversify and transform our business in order to achieve the next phase of growth.

As we do this, we must also ensure we are operating responsibly in all aspects of what we do. We have identified four focus areas where we can drive positive impact: advancing health and wellbeing, empowering our people, protecting the environment and we building trust through quality in everything we do.

We have a responsibility for our customers and their patients, who rely on our important medicines every day. Our mission to advance health and wellbeing also applies to the broader wellbeing of the communities in which we operate and it extends to ensuring that our own people are empowered by an inclusive culture where everyone can thrive.

We are committed to protecting the environment, are assessing our environmental impact and understanding how we can minimise it. I am very pleased that the Board has approved a new target to reduce our greenhouse gas emissions by 25% by 2030, compared to a 2020 baseline.

0.6x

Net debt to EBITDA

We have a duty to act responsibly: for our people, patients, communities and the planet

How we are acting responsibly

- Advancing health and wellbeing
- Empowering our people
- Protecting the environment
- Building trust through quality in everything we do

To find out more see 'Acting responsibly' on pages 37 to 49.

Conclusion

2021 has been another year of growth for Hikma, as well as one of advancing our future ambition. With our expansion into compounding and securing a future entry into the US biosimilar market, we are continuing to ensure we remain a top Injectables business in the US, whilst also expanding our presence in Europe and MENA. For our Generics business, we are taking strides forward in differentiating our portfolio, with specialty, marketed products such as Kloxxado™, and complex generics such as generic Advair Diskus®. Our Branded business continues to deliver consistent growth, leveraging our well-established presence, reputation and expertise in the MENA region.

I am excited about how far we have come in the past few years, and by the opportunities we have for the future, as we continue to put better health within reach in 2022 and beyond.