

Executive Chairman and Chief Executive Officer's statement



Our diversified business model enabled a resilient core performance in 2022 as we continued to deliver on our purpose.”



Increasing access to medicines

Hikma was founded 45 years ago to increase access to affordable medicines.

Our vision, *‘to shape a healthier world that enriches all our communities’*, acts as our guide, while our purpose, *‘putting better health within reach, every day’*, is our reason for existing. As Hikma develops and grows, we strive to deliver on our vision and purpose to have a positive impact on the world by making medicines more accessible and more affordable.

Financial performance

The Group saw a slight revenue decline of 1% versus 2021, with a reduction in core operating profit of 6%. At a divisional level, we saw a variation in performance with the effect of severe industry-wide competitive pressures in Generics partially offset by good growth from our larger Injectables and Branded businesses. On a reported basis, Group operating profit declined 52%, primarily related to impairments in the Generics business. For more information, please refer to page 31 of this report.

Injectables revenue grew 8%, with core operating profit up 8%. This is a high-quality global operation with multiple levers for growth. In the US, we benefitted from recent launches, including 12 during 2022, as well as the contribution from the Custopharm acquisition. In MENA we are investing in local manufacturing for our own products, and our biosimilar partnerships continue to be successful. In Europe and ROW, we are benefitting from a growing portfolio and our ability to respond to market shortages in Germany. Our business in Canada is also performing well following the acquisition of Teligent's Canadian assets.

Our MENA-based Branded business delivered a good overall performance while absorbing currency headwinds in our North African markets, with revenue growth of 3% and core operating profit up 17%. Our growth

was driven by strong demand for medicines focused on chronic illnesses, including our growing oral oncology portfolio. We also saw a normalisation in demand for anti-infectives, following some reductions in prior years due to the COVID-19 pandemic.

Our Generics business was impacted by the intense competitive environment in the US, which drove low double-digit price erosion and mid single-digit volume erosion. We also had a limited introduction of new products and a slower than expected ramp-up of recent launches. These factors resulted in a reduction in revenue of 18% and a decline in core operating profit of 49%. Despite these challenges and thanks, in part, to the focus we have put on improving efficiencies in recent years, we delivered a core operating margin of 15.3%, in line with our guidance, with core operating profit of \$103 million. Looking ahead, we are focused on building a more diversified product portfolio, with an increased share of specialty products.

Like many other businesses, we have also had to navigate the challenges of operating in a volatile macroeconomic environment. We experienced an increase in costs due to inflation, including higher shipping, utilities and employee benefits costs. We were also impacted by a rise in interest rates. Through operating efficiencies, we were able to absorb these increases to a large degree, minimising their overall impact and demonstrating the strength and resilience of our underlying business.

Strategic progress

Our strategy, based on the three pillars outlined on pages 8 and 9 of this report, supports Hikma's position as a global generics pharmaceutical company with a growing, differentiated product portfolio and a leading position in our key markets.

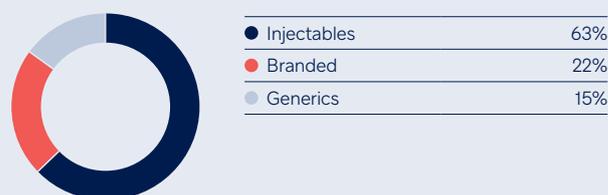
Injectables is delivering more from its strong foundation by focusing on optimising our global operational footprint to increase

flexibility and efficiency. This means sharing our engineering expertise across our plants, leveraging our ability to supply our markets from across our operational base, and ensuring the manufacture of our broad portfolio can adapt to meet changing demand.

We have continued to invest in increasing capacity, with new high-speed lines being added in Portugal and New Jersey and construction is underway for new Injectables plants in Algeria and Morocco. We have a new R&D leadership structure that is focused on adding more complex products to our portfolio. We are establishing our new sterile compounding business in the US and while in its infancy now, this business is set to be an important contributor to Hikma in the future as we establish ourselves as a leading compounder in this market. We continue to make good strategic progress in our MENA Injectables business. In 2022, we signed new licensing deals with Celltrion Healthcare and Junshi Biosciences for biosimilar and biologic products. Finally, we continue to expand in Europe, with our entry into France, and in Canada. We expect these markets to be an important growth driver in the years ahead.

Branded has benefitted from our strong local presence and the tiering structure we introduced in 2018, where we focus on our markets with the highest value and opportunity for growth. We saw good progress in most markets in 2022 and our flexible and local manufacturing facilities and broad portfolio allowed us to be nimble and adapt quickly to evolving demand. I was delighted when we became the third largest pharmaceutical company in MENA in 2022¹ – up from the fourth largest in 2021 and our ambition is to keep growing. We are focusing our R&D on specialty and chronic disease areas, and continue to value the importance of partnerships, as well as selling our own products.

1. IQVIA Midas MAT September 2022 for Algeria, Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Tunisia, UAE. US dollar sales.

Revenue – 2022**Core operating profit – 2022¹**

1. Core operating profit is \$596 million. Before unallocated corporate costs of \$84 million and operating profit from Other business of \$3 million, core operating profit contribution from business segments is \$677 million

Our Generics business has continued to build its specialty portfolio of higher barrier to entry products and dosage forms that are more insulated from pricing pressure. By achieving a better balance between traditional generics and more durable products, the business will be on a stronger footing for the future. We have a state-of-the-art manufacturing facility in Columbus, Ohio, and we will increasingly leverage its capabilities and quality record for strategic contract manufacturing to help improve the resilience of the business.

Financial returns

We generated good cashflow in 2022, which has enabled a final dividend of 37 cents per share. Combined with the interim dividend of 19 cents per share, this represents a 4% increase in the total dividend for 2022. While our financial performance in 2022 lagged our longer-term track record, we are confident in our return to growth in 2023 supported by recent launches and good momentum in all our businesses.

Acting responsibly

We have identified four focus areas that guide our approach to sustainability: advancing health and wellbeing; empowering our people; protecting the environment; and building trust through quality in everything we do.

For our customers and their patients, we help to advance health and wellbeing by launching new products, such as oral oncology products in Algeria which are bringing new treatment options, and ensuring availability of existing treatments. We work closely with hospitals, pharmacies and buying groups across our markets to ensure their needs are met.

We also engage with our communities, a practice which is ingrained in how Hikma does business across its locations and you

can read much more on the projects we undertake and the impact we have on pages 42 and 43 of this report.

We are all too aware of the threat of climate change and we are making good progress towards achieving our target of reducing Scope 1 and 2 emissions by 25% by 2030. We are also focusing on better understanding our Scope 3 emissions, so that we can begin to make improvements in this important area. You can read more about our environmental progress and how this links to remuneration on pages 46 and 96 of this report.

The strategic bedrock to all three of the businesses is our people. Culture has been an important focus for us since inception. Throughout the year, I have enjoyed visiting our sites around the world and seeing how our culture of progress and belonging is embodied in how our people are living our values: innovative, caring and collaborative. What does this mean in practice? Pages 6 and 7 of this report gives examples of how these values directly translate into our purpose. Culture is forged in our history. Many of our staff have been with us for decades, and this corporate memory can be passed on to our newer recruits. We are one global company united by a simple vision and this has been the case since the business was founded 45 years ago.

Our culture also results in a quality mindset. In this industry, failures in quality systems can put lives at risk. We care greatly about what we do, demonstrated by the relentless focus on quality at our plants, whether it be through the number of quality professionals, the high levels of automation in the plants, or the rigorous levels of testing that our finished products go through. Our facilities are maintained as ready for regulator inspection. We also have a global pharmacovigilance programme in place to continually monitor the safety of our products.

Governance and leadership

I have enjoyed stepping back temporarily into the CEO role following the departure of Siggí Olafsson in mid-2022. Siggí played an important role in Hikma's strategic advancements in recent years and I would again like to thank him and wish him well for the future. The search for a new CEO is ongoing and an update will be provided when an appointment is made.

We have a strong independent Board, and I was delighted to welcome three female Non-Executive Directors in 2022, each of whom will bring fresh thinking and leadership to Hikma.

Looking forward

I am confident and very excited about Hikma's future.

We have a strategy that will drive growth and, most importantly, a strategy that will keep bringing access to critical medicines to the people who need them most. We have a strong foundation, and while we have faced some industry headwinds in the US, Hikma's diversified business has provided a level of resilience. The portfolio continues to grow and become more specialised. Our people are the living embodiment of our culture and I am always amazed by the commitment to getting the job done.

I look forward to keeping you updated on our progress.

Said Darwazah

Executive Chairman and Chief Executive Officer