
During the year, we continued to uphold our Hikma values, which are transparency, respect, trust and quality.

| | |
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Message from our Chair

Evolving governance

Dear Shareholders

During 2017 and in the early months of 2018, your Board has initiated a series of important governance developments for the Group, which are outlined below.

Executive Chairman

As I mentioned in the beginning of the report, I have stepped down from my combined role as Chairman and Chief Executive Officer, to become the Executive Chairman. My primary responsibilities as Chief Executive Officer have been handed over to Siggí Olafsson, who is dedicated to leading the Group and the executive leadership team. I am continuing in an executive capacity to assist strategic thinking, to develop our entrepreneurial advantages and to guide Siggí in his role as the first non-family Chief Executive Officer in the Group's history.

Executive leadership

The appointment of Siggí as our new Chief Executive Officer builds on our desire to obtain the maximum value from our combined Group

by focusing our strategy on key medium-term deliverables. Siggí's appointment is part of a broader effort to expand our leadership capabilities, which includes appointments to our Executive Committee. Siggí and I will work together over the next few years to further develop our strategy and maximise the competitive advantage from our team.

I would like to take a moment to note the retirement of Mike Raya, our long serving and highly successful US Chief Executive. Whilst I would have been delighted had Mike chosen to continue with Hikma, as a friend I wish him a happy and fulfilling retirement.

Board composition

This year we will be saying farewell to Ron Goode, who is retiring at the AGM. Ron's retirement brings to a close the era of the independent directors who joined early in the Company's listed life and were instrumental in developing our group capabilities and leadership. Under Ron's guidance, the CREC and our business integrity programme

were created. We owe him a great deal and I would like to thank him personally for all that he has done.

As we move forward, our succession priorities are to ensure that the independent directors continue to represent a majority of the Board members and to gain further advantage from increasing boardroom diversity, as we did over the past few years with the appointments of Dr Pamela Kirby and Nina Henderson.

Effectiveness

During 2017 we undertook our first interview-based board evaluation. It was a very rewarding and valuable experience, which helped to contribute towards some of the governance changes that I have outlined today and it will contribute to our plans to further develop our Board and Group structure.

If there are any matters that you wish to discuss, please do not hesitate to contact me.



Said Darwazah
Executive Chairman



My primary responsibilities as Chief Executive Officer have been handed over to Siggí Olafsson, who is dedicated to leading the Group and executive leadership team."

Corporate governance at a glance

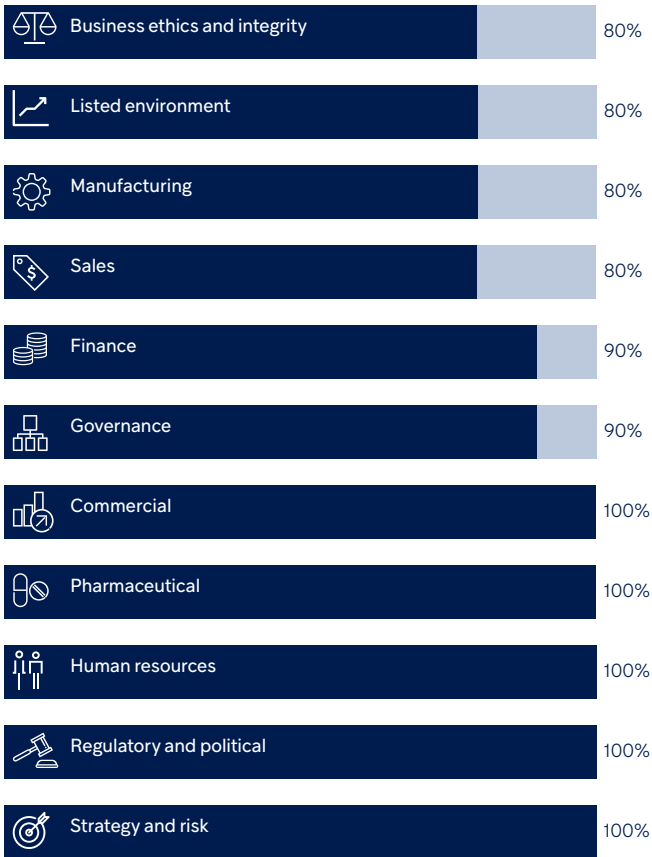
Highlights 2017

- Undertook an executive search process that led to the appointment of our first external Chief Executive Officer in February 2018
- Closely aligned remuneration outcomes with performance
- Developed new objectives for the executive directors, focusing on the delivery of strategic and operational priorities
- Developed a new executive succession plan
- Undertook our first interview-based board evaluation
- Completed the succession plan for Independent Directors and Committee Chairs
- Integrated US compliance into the global programme
- Embedded and enhanced the Enterprise Risk Management programme

Priorities 2018

- Increase the level of independent representation on the Board
- Seek to enhance diversity at the Board and Executive Committee level
- Enhance oversight of employee working conditions and improving employee engagement
- Implement recommendations arising from the externally facilitated board evaluation

Board experience



Geographical experience



Country of origin



2017 Board attendance



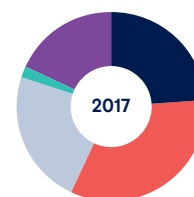
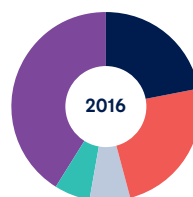
| Directors during 2017 | Meetings attended (7 scheduled and 1 unscheduled) | % |
|------------------------------|---|------|
| Said Darwazah | 8/8 | 100% |
| Mazen Darwazah | 8/8 | 100% |
| Ali Al-Husry | 8/8 | 100% |
| Dr Jochen Gann ¹ | 6/8 | 75% |
| Robert Pickering | 8/8 | 100% |
| Dr Pamela Kirby ² | 7/8 | 88% |
| Dr Ronald Goode | 8/8 | 100% |
| Pat Butler | 8/8 | 100% |
| John Castellani | 8/8 | 100% |
| Nina Henderson | 8/8 | 100% |
| Michael Ashton ³ | 3/3 | 100% |

1. Dr Jochen Gann was unable to attend two board meetings, one due to a time conflict with obligations to his primary employer and one called at short notice.
2. Dr Pamela Kirby was unable to attend one board meeting due to changes to the meeting timing which caused a conflict with another meeting.
3. Michael Ashton retired following the May 2017 AGM.

The Board's time



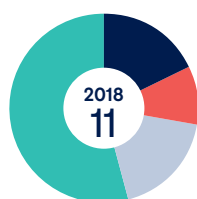
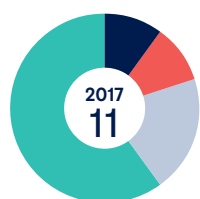
| | 2016 | 2017 |
|---------------------------|------|------|
| Corporate governance | 22% | 24% |
| Financial | 24% | 33% |
| Operational developments | 7% | 23% |
| Risk | 6% | 2% |
| Strategy and acquisitions | 41% | 18% |



March 2017/March 2018 Board composition



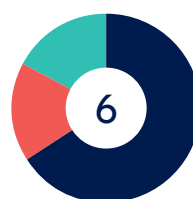
| | 2017 | 2018 |
|--------------------------------------|------|------|
| Chairman and Chief Executive Officer | 9% | 18% |
| Executive Directors | 9% | 9% |
| Non-Independent NED | 18% | 18% |
| Independent NED | 64% | 55% |



Tenure range (as at 13 March 2018)



| | Independent NED | |
|-------------|-----------------|-----|
| | No | % |
| 0 – 3 years | 4 | 66% |
| 4 – 6 years | 1 | 17% |
| 7 – 9 years | 0 | 0% |
| 9+ years | 1 | 17% |



Gender diversity (as at 13 March 2018)



Board



Women 18%
Men 82%



Non-white 27%
White 73%

Exco



Women 18%
Men 82%



Non-white 64%
White 36%

Group



Women 33%
Men 67%
*Estimated



Non-white 65%*
White 35%*

Board of Directors



Said Darwazah, 60

Executive Chairman

Appointed: 1 July 2007 | **Joined Hikma:** 1981

Nationality: Jordanian

Board experience:



Committee membership: None

Experience: Said has served as Chief Executive since July 2007 and Chairman since May 2014.

Said has over 36 years of experience in numerous leadership roles at Hikma. Under Said's leadership, Hikma has expanded into the US and become a leading player in injectables and the MENA region.

Qualifications: Industrial Engineering degree from Purdue University, MBA from INSEAD.

Other appointments: Unchanged since prior year. Includes Chairman of the Queen Rania Foundation and Royal Jordanian Airlines. Director of the Central Bank of Jordan and Dash Ventures Limited.



Sigurdur 'Siggi' Olafsson, 49

Chief Executive Officer

Appointed: 20 February 2018 | **Joined Hikma:** 2018

Nationality: Icelandic

Board experience:



Committee membership: None

Experience: Siggi has a wealth of international experience in the pharmaceutical industry, having held senior roles with Actavis Pharma Inc., Pfizer Inc. and Omega Farma. Siggi served as President and CEO of Global Generic Medicines at Teva Pharmaceuticals.

Qualifications: M.S. in Pharmacy (Cand Pharm) from the University of Iceland, Reykjavik.

Other appointments: Independent Director of Pfenex Inc., a biologics company listed on the New York Stock Exchange and a Director at Elucida Oncology.



Mazen Darwazah, 59

Executive Vice Chairman, Chief Executive of MENA and Emerging Markets

Appointed: 8 September 2005 | **Joined Hikma:** 1985

Nationality: Jordanian

Board experience:



Committee membership:



Experience: Mazen has led and expanded the MENA region at Hikma. Since listing, he has Group level responsibility in his role as Executive Vice Chairman. Since 2014, he became responsible for the Group's expansion into emerging markets.

Qualifications: BA in Business Administration from the Lebanese American University, AMP from INSEAD.

Other appointments: Vice Chairman of the Capital Bank of Jordan. Trustee of the St. Louis College of Pharmacy, Birzeit University and King's Academy. Member of the King Abdullah Policy Board.



Dr Pamela Kirby, 64

Independent Non-Executive Director

Appointed: 1 December 2014 | **Joined Hikma:** 2014

Nationality: British

Board experience:



Committee membership:



Experience: Dr Kirby was Chief Executive of Quintiles Transnational Corp and held senior executive positions at F Hoffmann-La Roche and AstraZeneca.

Previously, Dr Kirby chaired Scynexis, was Senior Independent Director of Informa and held non-executive positions with Smith & Nephew, Novo Nordisk, Curalogic, and Oscient Pharmaceuticals Corp.

Qualifications: First-class BSc degree in Pharmacology, Clinical Pharmacology PhD from the University of London.

Other appointments: Director of DCC PLC, Reckitt Benckiser Group PLC and Victrex PLC. Supervisory Board Member of Akzo Nobel NV.



Dr Ronald Goode, 74

Independent Non-Executive Director

Appointed: 12 December 2006 | **Joined Hikma:** 2006

Nationality: American

Board experience:



Committee membership:



Experience: Ron's executive career focused on the international pharmaceutical industry, including roles as Chief Executive, President of International Operations at Searle, Vice President of Clinical and Scientific Affairs at Pfizer, and adviser to companies in the pharmaceutical industry.

Qualifications: PhD from the University of Georgia, MS and BS from the University of Memphis.

Other appointments: President of The Goode Group. Director of Mercy Ships International. Senior Business Advisor to The Kinsella Group. Advisory Board Member of Private Access, Inc.



Patrick Butler, 57

Independent Non-Executive Director

Appointed: 1 April 2014 | **Joined Hikma:** 2014

Nationality: Irish

Board experience:



Committee membership:



Experience: Pat was Senior Director at McKinsey & Co. During 25 years at McKinsey, he focused on strategic, financial and structuring advice to large corporations. Pat qualified in the audit and tax practice of Arthur Andersen.

Qualifications: Chartered accountant. First-class honours degree in Commerce, postgraduate diploma in Accounting and Corporate Finance from University College Dublin.

Other appointments: Director of Aldermore PLC, The Ardonagh Group and Res Media Limited. Governor of the British Film Institute. Trustee of the Resolution Foundation.

**Ali Al-Husry, 60**

Non-Executive Director

Appointed: 14 October 2005 | **Joined Hikma:** 1981**Nationality:** Jordanian**Board experience:****Committee membership:** None

Experience: Ali held various management and leadership roles within Hikma before stepping into an advisory role in 1995, when he founded Capital Bank of Jordan, focusing on commercial and investment banking. Ali served as Chief Executive of the Bank until 2007.

Qualifications: Mechanical Engineering degree from the University of Southern California, MBA from INSEAD.

Other appointments: Director of Endeavour Jordan, Microfund for Women, Capital Bank of Jordan, and DASH Ventures Limited. Chairman of Alcazar Energy.

**Dr Jochen Gann, 53**

Non-Executive Director

Appointed: 29 February 2016 | **Joined Hikma:** 2016**Nationality:** German**Board experience:****Committee membership:** None

Experience: Jochen is Global Head of Corporate Finance/M&A and Corporate Vice President at Boehringer Ingelheim GmbH. In his M&A role he leads Boehringer Ingelheim's mergers and acquisitions activities across all businesses.

Qualifications: Doctorate Degree in International Finance from the University of Hoheinheim. Master's Degree in Business Administration and Science from University of Karlsruhe.

Other appointments: Chairman of the Finance Committee at Verband Der Chemischen Industrie e.V., Germany. Advisory Board Member at KfW IPEX-Bank GmbH, Germany.

**Robert Pickering, 58**

Senior Independent Director

Appointed: 1 September 2011 | **Joined Hikma:** 2011**Nationality:** British**Board experience:****Committee membership:**

Experience: Robert became Senior Independent Director in May 2014. Robert was Chief Executive of Cazenove Group PLC and subsequently JP Morgan Cazenove until 2008. During 23 years at Cazenove and Co. he acquired extensive experience of the corporate and investment environment.

Qualifications: Qualified solicitor with a law degree from Lincoln College, Oxford.

Other appointments: Chairman of the Trustees at Lincoln College Oxford 2027 Trust. Director at Itau BBA International PLC, the investment bank of the Itaú Unibanco group.

**John Castellani, 67**

Independent Non-Executive Director

Appointed: 1 March 2016 | **Joined Hikma:** 2016**Nationality:** American**Board experience:****Committee membership:**

Experience: John was President and Chief Executive Officer of Pharmaceutical Research and Manufacturers of America (PhRMA) and Business Roundtable. During his career John has also held senior positions with Burson-Marsteller, Tenneco, and General Electric.

Qualifications: BSc in Biology from Union College Schenectady, New York.

Other appointments: Director of 5th Port. Trustee of The John Hopkins Medical System Sibley Memorial Hospital, Washington, DC.

**Nina Henderson, 67**

Independent Non-Executive Director

Appointed: 1 October 2016 | **Joined Hikma:** 2016**Nationality:** American**Board experience:****Committee membership:**

Experience: Nina was Corporate VP of Bestfoods and President of Bestfoods Grocery prior to its acquisition by Unilever. During a 30-year career with Bestfoods, and its predecessor company CPC International, she held a wide variety of Global and North American executive general management and marketing positions. Nina has served as a director of Royal Dutch Shell, AXA Financial, The Equitable Companies, DelMonte, Pactiv and Walter Energy.

Qualifications: Honours graduate and BSc from Drexel University.

Other appointments: Non-Executive Director of CNO Financial Group Inc and IWG PLC, Trustee of Drexel University, Director of the Foreign Policy Association and Visiting Nurse Service of New York, Inc.

Peter Speirs

Company Secretary

Appointed: 2 April 2012 | **Joined Hikma:** 2010**Nationality:** British

Role: Peter is responsible for advising on governance, executive remuneration, and listing related matters. Peter joined Hikma as Deputy Secretary and previously held roles with Barclays and Pool Re.

Qualifications: Fellow of the Institute of Chartered Secretaries and Administrators. Law degree from the University of East Anglia.

Board experience:**Committees:**

- Audit Committee
- Nomination and Governance Committee
- Compliance, Responsibility and Ethics Committee
- Remuneration Committee
- Chair



For detailed Directors' biographies go online:
www.hikma.com/about/leadership/

Executive Committee

**Said Darwazah**

Executive Chairman

Appointed: 1 July 2007 | **Joined Hikma:** 1981

Nationality: Jordanian

For further biographical details please see page 70.

**Sigurdur 'Siggí' Olafsson**

Chief Executive Officer

Appointed: 20 February 2018 | **Joined Hikma:** 2018

Nationality: Icelandic

For further biographical details please see page 70.

**Mazen Darwazah**

Executive Vice Chairman, Chief Executive of MENA and Emerging Markets

Appointed: 8 September 2005 | **Joined Hikma:** 1985

Nationality: Jordanian

For further biographical details please see page 70.

**Bassam Kanaan**

Chief Strategy and Corporate Development Officer

Appointed: 2014 | **Joined Hikma:** 2001

Nationality: Jordanian

Role: Bassam has Group level responsibility for strategic development, acquisitions, alliances, product development, and risk. Bassam has held several executive positions during 17 years with Hikma, including Chief Financial Officer.

Qualifications: US Certified Public Accountant and Chartered Financial Analyst. BA from Claremont McKenna. International Executive MBA from Kellogg/Recanati Schools of Management.

**Majda Labadi**

Chief Human Capital Officer

Appointed: 2009 | **Joined Hikma:** 1985

Nationality: Jordanian

Role: Majda has Group level responsibility for human resources, including people development and structuring. Majda has held several executive positions during 32 years with Hikma, including VP Injectables and VP MENA Operations.

Qualifications: BA from the American University of Beirut. Master's degree from Hochschule Fur Okonomie, Germany. Advanced Management Program at INSEAD.

**Khalid Nabils**

Chief Financial Officer

Appointed: 2011 | **Joined Hikma:** 2001

Nationality: Jordanian

Role: Khalid is responsible for Group finance, including reporting and capital management, and information technology. Khalid has held several financial positions during 17 years with Hikma, including VP Finance.

Qualifications: US Certified Public Accountant. MBA from the University of Hull.


Susan Ringdal

Vice President, Corporate Strategy and Investor Relations

Appointed: 2012 | **Joined Hikma:** 2005

Nationality: American

Role: Susan is responsible for investor relations, corporate affairs, the executive committee and corporate strategy. Prior to joining Hikma, Susan worked for Alliance Unichem and Morgan Stanley.

Qualifications: BA in History from Cornell University. MBA from London Business School.


Riad Mishlawi

CEO, Injectables Division

Appointed: 2011 | **Joined Hikma:** 1990

Nationality: Lebanese

Role: Riad is responsible for all aspects of the Injectables division globally. Riad has significant pharmaceutical and operational experience from leadership roles at Hikma and Watson Pharmaceuticals.

Qualifications: BSc in Engineering and a Master's in Engineering and Management from George Washington University.


Brian Hoffmann

President, US Generics Division

Appointed: 2015 | **Joined Hikma:** 2009

Nationality: American

Role: Brian is responsible for all aspects of the Generics division in the US. Brian has significant strategic and operational experience from leadership roles at Hikma and prior consulting roles.

Qualifications: BA in Business Administration from Boston University. MBA from the University of Chicago.


Hussein Arkhagha

General Counsel

Appointed: 2013 | **Joined Hikma:** 2001

Nationality: Jordanian

Role: Hussein has Group level responsibility for legal, regulatory and taxation related matters. During 17 years at Hikma, Hussein has held several legal leadership roles, including heading legal in MENA, the shareholders' department and tax.

Qualifications: Qualified lawyer in Jordan. Master's degree in International Business Law from the University of Manchester, under a UK Chevening Scholarship.


Bryan Hotston

Chief Information Officer

Appointed: 2015 | **Joined Hikma:** 2014

Nationality: British

Role: Bryan has Group wide responsibility for information technology and systems enhancement. Prior to joining Hikma, Bryan held IT leadership positions with Barclays Capital and JP Morgan Cazenove, where he was a member of the Executive and Risk committees.



The full biographies of Hikma's Executive Committee can be found on the Hikma website:
www.hikma.com/about/leadership/

Governance report

Explanations under the UK Corporate Governance Code

Governance principles

The Board is committed to the standards of corporate governance set out in the UK Corporate Governance Code (the 'UK Code') adopted in April 2016 and the Markets Law of the Dubai Financial Services Authority. The report on pages 66 to 111 describes how the Board has applied the Main Principles of the UK Code and Markets Law throughout the year ended 31 December 2017. The UK Code is available at www.frc.org.uk

The Board considers that this Annual Report provides the information shareholders need to evaluate how we have complied with our current obligations under the UK Code and Markets Law.

The Board acknowledges that Said Darwazah holding the position of Chairman and Chief Executive during 2017 and from February 2018 Executive Chairman, and the continuation of Independent Non-Executive Directors who have served more than nine years require explanation under the UK Code. Hikma is committed to an open dialogue regarding these matters. Questions may be directed to, and further information may be requested from the Company Secretary. Otherwise, throughout the year and up until the date of this report, Hikma was in full compliance with the UK Code.

Executive Chairman position

The Board acknowledges that Said Darwazah's position as Executive Chairman is a departure from the UK Code. The role was created in February 2018, following the appointment of Siggí Olafsson as Chief Executive Officer. Previously, Said Darwazah was the Chairman and Chief Executive Officer.

The change of roles and appointment of a Chief Executive Officer has caused a significant reduction in Said Darwazah's executive responsibilities. However the Board considers that, as the Company moves into a new era, it is essential to retain Said Darwazah's services in an executive capacity for a time period sufficient to ensure a controlled and orderly transfer of responsibilities.

The Board consulted shareholders prior to his appointment in May 2014 and following the change of role in February 2018. The Independent Non-Executive Directors met twice during the year to review the Board structure including consideration of whether the combined role should continue. As a result of these meetings and discussions with the Chairman and Chief Executive, a new CEO was appointed and the role of Executive Chairman was created.

The Board is focused on the commercial success of Hikma and believes that continuing the position of Executive Chairman for a period of time is the best way to achieve success for Hikma because:

- **Chairman's role:** The Chairman position is highly visible inside and outside Hikma, acting as an ambassador with business partners and adviser to the divisions. It is essential the Chairman intimately understands MENA culture and has strong relationships in the region, can speak Arabic and has extensive pharmaceutical knowledge.
- **Business partners:** A significant number of the Company's key political and commercial relationships across the MENA region are built on the long-term trust and respect for the Darwazah family where the role of the Chairman remains key.

- **Continuity of success:** Said Darwazah has been a driving force behind the operational success of the business since 2007 and the Board believes that it is important to the continued success of the Group that he remains in the lead executive role.

Control enhancements

The Board continues to operate the following enhanced controls:

- **Governance structure review:** The Independent Directors meet at least bi-annually in a private session chaired by the Senior Independent Director. This meeting includes consideration of the appropriateness of the governance structure and safeguards for shareholders.
- **Committee Chair roles:** The Chairs of the Board Committees, all of whom are Independent Non-Executive Directors, undertake a significant amount of work in the oversight of the functions that report to their Committees and have in-depth relationships with the relevant executives.
- **Transparency and engagement:** Hikma has always had the highest regard for external shareholders. Many of the original investors from before listing still invest and support Hikma today. Over 13 years since flotation the Company has maintained the highest standards of shareholder engagement, which is reflective of the importance placed in maintaining strong investor relations and governance. Hikma has won and been shortlisted for several transparency and governance awards.
- **Senior Independent role:** The Senior Independent Director has joint responsibility, with the Executive Chairman, for setting the Board agenda, agreeing action points and the minutes of the meetings.

Independence

The Board considers Robert Pickering, Dr Ronald Goode, Pat Butler, Dr Pamela Kirby, John Castellani and Nina Henderson to be independent. These individuals provide extensive experience of international pharmaceutical, financial, corporate governance and regulatory matters and were not associated with Hikma prior to its listing in 2005.

The Board reviewed and considered the independence of the Non-Executive Directors during the year as part of the annual corporate governance review. It recognises that Dr Ronald Goode has served in excess of nine years and therefore this constitutes a departure from the UK Code. However, in accordance with the previously communicated succession plan, Dr Ronald Goode will retire from the Board in May 2018. A full explanation describing the reasons for retaining his services and how the Board considers him to be independent are available on the Hikma website at www.hikma.com/investors/corporate-governance/explanations-under-the-uk-corporate-governance-code/ and on page 77 of the 2016 Annual Report.

The Board does not view Ali Al-Husry as an Independent Director due to the length of his association with the Company, because he was an executive with Hikma prior to listing and because of his involvement with Darhold Limited, Hikma's largest shareholder. However, he continues to bring to the Board broad corporate financial experience and a detailed knowledge of the MENA region, which is an important and specialist part of the Group's business.

The Board does not view Jochen Gann as an Independent Director as his appointment was part of the shareholder agreement with Boehringer Ingelheim, a major shareholder and his primary employer. However, Jochen brings significant M&A and corporate finance experience with a particular focus on the pharmaceutical sector.

Evaluation and performance

The Board re-assessed its approach to its external evaluation during the first quarter of the year. The conclusion from this exercise was that a full, externally moderated, interview-based evaluation should be conducted every three years. The first such evaluation took place during the second and third quarter of 2017.

Process

The process was co-ordinated by the Senior Independent Director at the request of the Chairman. Lintstock, an external moderator which has no other connection with the Company, led the process with a thematic questionnaire and interview process. Lintstock reported independently to the Chairman and the Senior Independent Director. The results were discussed at the Board and action points agreed.

The results of the evaluation process formed part of the Chairman's appraisal of the overall effectiveness of the Board and its members. The Directors suggest and promote improvements that they consider should be progressed outside the evaluation timetable.

Conclusions and action

The Board considered that it continued to operate effectively with particular strengths in the following areas:

- Board composition
- Understanding of the key markets in North America and the MENA region
- Interaction and atmosphere providing for good, healthy discussions and challenges
- Non-Executive Directors provide support and constructive challenge to management
- Oversight of risk management

New action points

| Observations | Action being undertaken |
|---------------------------------------|---|
| Operational focus | In order to enhance the executives' focus on operations, the Board separated the combined role of Chairman and Chief Executive Officer. The Executive Chairman role enables the entrepreneurial talents of the Chairman to be retained. |
| Stretched management | The executive team has been enhanced by the appointment of dedicated personnel in the scientific and information areas. The new Chief Executive Officer will be reviewing and further enhancing the team over the medium-term. |
| Communication lines | To enhance the communication of and discussion around more challenging matters, the Board has allocated more time for meetings without executives present. The Board is considering specific meetings between the Chairman and the Independent Directors. |
| West-Ward Columbus integration | The Board has requested that management undertake a review of the status of the WWC integration and the successes and challenges of the acquisition project. |

Progress on prior year

| Observations | Action taken |
|--|--|
| Strategic oversight | A dedicated annual strategy session was once again held providing an opportunity for the Board to discuss important strategic issues with management. |
| Review of past decisions | Further time was dedicated to reviewing past decisions after meetings giving greater insight into areas for improvement. |
| Length of reports and presentations | Board materials were refined to further enhance the quality of discussion, use of time, and ability for Directors to focus on key issues. |
| Risk management | Processes supporting the risk management framework were enhanced. A new risk director was appointed to ensure a greater focus on risk identification and mitigation. |
| Executive and management succession | A series of new internal and external assessments and training programmes were put in place across the Group to develop executive and management capability. |

Chairman's appraisal

The Independent Non-Executive Directors regularly met in private during the course of the year. The performance of the Chairman and the Board was discussed during these meetings. Additionally, the Senior Independent Director met with the Independent Non-Executive Directors to undertake a formal appraisal of the performance of the Chairman and subsequently fed back comments to him. The conclusion of this process was that the Chairman gave clear leadership and direction to the Board, and that the Board is run in an appropriate and effective manner.

Director appraisal

The Chairman reviewed the performance of each of the Directors during the year and concluded that each Director contributes effectively to the Board and devotes sufficient time to their role.

The Nomination and Governance Committee considered the evaluation and concluded that each Director, with the exception of Dr Ronald Goode who is due to retire, be recommended to shareholders for re-election at the 2018 AGM.

Board and Committees

Board

For additional information on the Board:

Board responsibility



www.hikma.com/investors/corporate-governance/board-roles-and-responsibilities/

Board regular items and responsibilities



www.hikma.com/investors/corporate-governance/board-roles-and-responsibilities/

Full schedule of matters reserved



www.hikma.com/investors/corporate-governance/board-roles-and-responsibilities/

Internal and external advisers



www.hikma.com/investors/corporate-governance/board-roles-and-responsibilities/

Board Roles

Executive Chairman and Chief Executive Officer ('CEO')

As part of the succession process, the Board created new role profiles for the positions of Executive Chairman and CEO. The Group's executives report to the CEO, who reports to the Executive Chairman. The role profiles are reviewed annually and detailed on the Hikma website at www.hikma.com/investors/corporate-governance/board-roles-and-responsibilities/:

Senior Independent Director

The Senior Independent Director responsibilities include:

- Involvement in setting the Board agenda, actions points and the minutes
- Leading the Board in matters of board composition, effectiveness and evaluation, particularly in relation to the performance of the Chairman
- Providing a communication channel between the Executive Chairman and the Non-Executive Directors
- Leading the NEDs on their assessment of the appropriateness of the governance structure and safeguards for shareholders
- Acting as an alternate point of contact for shareholders and maintaining contact with principal investors and representative bodies

Executive Vice Chairman

When required, the Executive Vice Chairman acts as alternate to the Executive Chairman and is another point of contact and sounding board for management and Directors.

Company Secretary

The Company Secretary reports to the Chairman and supports him and the Senior Independent Director in the delivery of their roles, particularly in relation to information flow and setting the Board agenda.

Board Committees

The Board has an extensive workload and, therefore, has delegated the detailed oversight of certain items to four Board Committees: Audit; Nomination and Governance; Compliance, Responsibility and Ethics Committee ('CREC'); and Remuneration. Each Committee has terms of reference which were reviewed during the year. Copies are published on the Hikma website at www.hikma.com/investors/corporate-governance/key-committees/ and are available for inspection at the registered office at 1 New Burlington Place, London, W1S 2HR or by contacting cosec@hikma.uk.com.



Audit:

- Financial reporting and performance
- Internal controls
- Risk management
- Internal audit
- External audit




See page 78




Nomination and Governance:

- Appointments
- Training and induction
- Board composition
- Succession planning
- Board evaluation
- Corporate governance



See page 82



CREC

- Anti-money laundering, bribery and corruption
- Compliance
- Speak-Up
- Code of Conduct



See page 84



Remuneration:

- Remuneration policy
- Executive remuneration
- Performance plans
- Management incentivisation



See page 86

Executive Committee

The CEO chairs the Group Executive Committee, which develops strategic proposals to the Board, makes operational decisions and oversees risk control.

Governance

Shareholder engagement

Further to the announced appointment of a Chief Executive Officer and changes to the Chairman's role, the Board undertook a series of meetings with major investors and relevant bodies in order to discuss the governance and remuneration aspects of the change. The Board is taking these comments into consideration in its plans for further development over the course of 2018 and beyond.

Hikma is committed to clear and open communication with shareholders and stakeholders. If there are matters on which additional explanation is required, Hikma is always happy to discuss them. Please contact the Company Secretary in the first instance by writing to cosec@hikma.uk.com.

The Board maintains regular dialogue with shareholders through its investor relations programme, directed towards ensuring a mutual understanding of objectives. The principal ongoing communications with shareholders are through the publication of Hikma's Annual Report and Accounts, interim results and trading statements. The Chairman meets major shareholders periodically to discuss governance and strategy issues in order to understand their views on the Company and to ensure their views are communicated to the Board as a whole. Shareholders are encouraged to attend the Annual General Meeting ('AGM') and if unable to do so are encouraged to vote by proxy. Copies of presentations made at the AGM are available on the website after the event, together with the results of the voting. All Directors are expected to attend the AGM and full attendance has been achieved other than when exceptional personal circumstances have intervened.

Electronic communications

Hikma recently wrote to shareholders to provide them with an opportunity to confirm how they wish to receive communications from the Company to help reduce its environmental impact. Hikma's preference is to use the Company website for communications, rather than in paper form. Shareholders are encouraged to visit the website to access the Company's Annual Reports and half-year and final results presentations.

For and on behalf of the Board of Directors of Hikma Pharmaceuticals PLC



Peter Speirs
Company Secretary
13 March 2018

2017 key events



Audit Committee

Letter from the Chair



Assessing and quantifying

2017 Highlights

- Re-assessed our medium-term projections, longer-term prospects and adjusted asset valuations accordingly
- Supported management's assessment and enhancement proposal for information system and operational processes
- Reviewed the effectiveness of the Enterprise Risk Management and developed an enhancement programme
- Deepened the relationship with both the internal and external auditors
- Focused management on delivering the process enhancements from the internal audit programme

2018 Priorities

- Continuing to develop the risk controls and reporting capabilities
- Optimising the financial reporting, processing and forecasting capabilities

Allocation of time



Members and attendance

| Member | Meetings | Attendance |
|------------------------------|----------|------------|
| Pat Butler (Chair) | 6/6 | 100% |
| Dr Ronald Goode | 6/6 | 100% |
| Robert Pickering | 6/6 | 100% |
| Dr Pamela Kirby ¹ | 5/6 | 83% |
| John Castellani | 6/6 | 100% |
| Nina Henderson ² | 5/6 | 83% |
| Michael Ashton ³ | 3/3 | 100% |

1. Dr Pamela Kirby was unable to attend one meeting due to changes to the meeting timing which caused a conflict with another commitment.
2. Nina Henderson was unable to attend one meeting due to a commitment that had been scheduled prior to joining the Board.
3. Michael Ashton retired following the 2017 May AGM.

Pat Butler, the Independent Chair has extensive experience of financing, accounting, risk and internal control matters and is therefore considered to have recent and relevant financial experience. All members are independent and when considered as a whole, have competence relevant to the sector in which the Company is operating. Dr Ronald Goode, Dr Pamela Kirby and John Castellani all have extensive pharmaceutical experience.

Dear Shareholders

This report, summarises the work of the Committee over the last year, including the matters that we have found challenging, where careful judgement has been required.

Impairment

The most significant financial issue that the Committee considered during the year and up to the date of this report was the impairment of the West-Ward Columbus ('WWC') assets, which amounted to \$1,084bn. The Group and divisional management undertook an extensive impairment review in advance of the final results for the year ended 31 December 2017.

The Committee focused on scrutinising the business and financial projections that underpin the assessment of the asset's value. The key judgemental areas for the Committee were the timing of launch for products in development and the projections of revenue and margins associated with those products. The Committee also considered the longer-term prospects for the business in light of changing industry and market environment in US generics. Management's expectations from the WWC existing products and pipeline worsened during the year chiefly as a result of feedback from regulatory authorities relating to key products in development, the changing pricing environment in the US market, and the relative positions of generic competitors.

As part of the exercise, the Committee requested that management consider particular worst-case scenarios, and extend sensitivity on revenue and margin assumptions. It also challenged the probability assumptions of other scenarios in order to ensure appropriate stress-testing of the key assumptions. As a result of the exercise, the Committee determined that the impairment value was appropriate.

Significant judgements

The Audit Committee considered and discussed the following important financial matters:

- **Impairment and fair value:** Further details are provided above. The Committee reviewed and challenged the estimate of the fair value of assets and liabilities. Changes to management's medium-term expectations for the Group primarily relating to WWC, including sales, products under development, co-development agreements and contract manufacturing agreements, led to an impairment of \$1,105bn.
- **Revenue recognition:** The Committee reviewed policies for revenue recognition and the application by management of the policies in relation to significant products where the potential for returns and rebates was high. The Committee was satisfied that the review by management validated the approach to revenue recognition and took account of changes in the environment for those products during the year.



- **Taxation:** The Group's worldwide operations are highly integrated and involve a number of cross-border supply chains. There is complexity and judgement in estimating the potential tax liabilities in various jurisdictions. The Committee reviewed the appropriateness of the disclosures in the Annual Report and considered the advice from professional services firms and management in this regard.
- **Accounts receivable and inventory:** The Committee reviewed the reports on major receivables and inventory provisions. The Committee considered management's valuation of inventory, plans to ensure payment and relevant provisions.
- **Rebates and chargebacks:** The Committee assessed the reports on the processing of chargebacks and rebates in the US. This is a highly judgemental area and applies to a significant proportion of Group revenue. The Committee considered the control and modelling environment and the appropriateness of associated provisions.
- **Going concern:** The Committee assessed the going concern position when preparing the annual and half-yearly financial statements. The Committee took into account Hikma's forecasts and budget, borrowing facilities, contingent liabilities, medium and long-term plans, and financial and operational risk management.
- **Viability:** The Committee received the medium-term business projections and considered the scenarios that could impact those projects and the ability of the Company to remain viable.

Fair, balanced and understandable

Hikma is committed to clear and transparent disclosure and seeks to continuously improve the clarity of its reporting. At the request of the Board, the Audit Committee considers whether Hikma's Annual Report is fair, balanced and understandable and that the narrative section of the report is consistent with the financial information. The Committee's assessment is underpinned by a comprehensive review conducted by the Reporting Committee, which consists of the leads for finance, investor relations, and governance and is supported by divisional and functional heads, as required. The Reporting Committee's activities include:

- Initiating the first review of the Annual Report in October, considering external developments, issuing guidance to contributors and identifying areas for improvement
- Obtaining input from external advisers, including the auditors, brokers and public relations advisers
- Reviewing the disclosures as a whole
- Overseeing a verification process to ensure the accuracy of disclosures

Each member of the Audit Committee and the Reporting Committee was satisfied that the 2017 Annual Report is fair, balanced and understandable and recommended the adoption of the report and accounts to the Board.



The most significant financial issue that the Committee considered was the impairment of the WWC assets."

External audit

The external audit was undertaken by PricewaterhouseCoopers LLP ('PwC') as it has been since their appointment in May 2016, following a competitive tender process. Following a review of the effectiveness and the efficiency of the 2016 year-end process, Mr Mark Gill was appointed as the senior statutory auditor in May 2017. As in previous years, the Committee maintained regular contact with the auditors throughout the year. The Committee regularly reviews the work of the external auditors and undertook an assessment of the auditors' performance and independence and in doing so examined the following issues during the year:

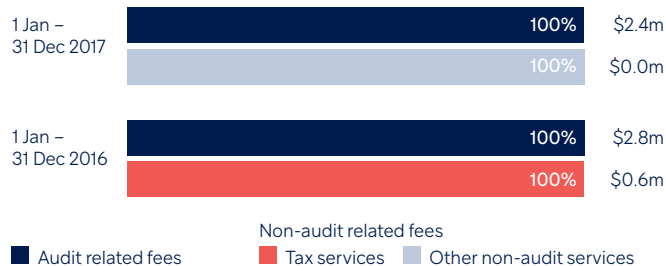
- **Audit quality and technical capabilities:** The Committee evaluation and review of the 2016 year-end includes an assessment of the work of the auditors. The Committee considered that the auditors undertook a highly effective and in-depth assessment and verification exercise and that the level of expertise was very high. The Committee considered that improvements could be made in communication channels and process timing. The Committee feeds back its comments on the auditors' performance as part of the regular meetings it has with them without management present, and believes that there is a strong, appropriate and open relationship between the audit team leadership, the Audit Committee and management.
- **Independence:** The Committee regularly reviews the independence safeguards of the auditors and remains satisfied that auditor independence has not been compromised.
- **Non-audit fees:** The Committee's policy is that the external auditors should not undertake any work outside the scope of their annual audit. The Committee has discretion to grant exceptions to this policy where it considers that exceptional circumstances exist and that independence can be maintained. PwC provided training on IFRS 15, 9 and 16 and services related to the reduction in the capital of an Irish subsidiary that must be provided by the auditor for a cost of \$33,000.

Statutory audit services are conducted in compliance with the Competition and Markets Authority Order, and a competitive audit tender process was undertaken in 2015.

Auditors' fee (\$m)

\$2.4m

PwC



Internal control

The Board confirms that it is ultimately responsible for the effectiveness of the Group's systems of internal controls and risk management and that those systems remain effective. The Board is satisfied that the Group's systems for internal control have been in place throughout the year under review and up to the date of approval of the Annual Report and Accounts. In making this assessment, the Board takes into account:

- **Risk:** The principal risks and uncertainties and risk management report, detailed on pages 58 to 65 form a fundamental part of the Company's approach to designing and implementing new and enhancements to existing controls.
- **Internal audit:** The Committee receives regular reports from the internal auditors who assess the Company's process, identify areas for improvement, monitor progress, and undertake their own risk assessment.
- **Financial performance:** The Group reporting and forecasting reports reviewed by the Board highlight deviations from expectations and management's operational commentary.
- **Ethics:** The business integrity and ethics procedures and controls that are led by the Compliance, Responsibility and Ethics Committee.
- **Governance:** The Board and Group-level controls and processes that make up our approach to governance that is led by the Nomination and Governance Committee and includes all appropriate financial controls and matters reserved.
- **External auditors:** The Committee and Chair have a regular and confidential dialogue with the external auditors.

The Board monitors the ongoing effectiveness of the system and encourages continuous improvement. In the previous report, the Committee identified two areas for improvement. The first, related to ABC activities in the US, has been completed. The second, related to enhancing the Company's approach to information technology and associated standardising and streamlining processes is a significant project. During the year, the Board reviewed and approved management's plans for making these enhancements which will take place during 2018 and 2019.

The Committee received regular reports from the Company's internal auditors, EY, regarding their assessment of the Company's internal control environment and has identified the following key areas for management to advance:

- Improving the processes and data that support the automated financial accounting platform
- Developing the business partner capabilities of the finance function
- Processing of returns and rebates in a more timely manner
- Ensuring that payroll responsibilities are segregated in all sites, including those with low numbers of staff
- Assigning research and development costs on a product specific basis

The key elements of our internal control framework are as follows:

- A documented and disseminated reporting structure with clear policies, procedures, authorisation limits, segregation of duties and delegated authorities
- Written policies and procedures for material functional areas with specific responsibility allocated to individual managers
- A comprehensive system of internal financial reporting that includes regular comparison of results against budget and forecast and a review of KPIs, each informed by management commentary
- An established process for reviewing the financial performance and providing support to our joint ventures and associates together with direct support from the Hikma finance function
- Annual budgets, updated forecasts and long-term business plans for the Group that identify risks and opportunities and that are reviewed and approved by the Board
- A defined process for controlling capital expenditure which is detailed in the governance framework

Internal audit

EY has continued to perform the Group's global internal audit function and feedback into the enhancement to Group internal controls, as detailed above. EY assess all group facilities and all relevant processes over a three year period. For major sites, assessments are more frequent. Management is required to respond to findings within a short period and, where necessary, complete all process improvements within two years, with 80% of high risk items being completed within one year. There is a regular programme of interaction between EY and the Committee:

Key internal audit events

| May | August |
|--|---|
| The Committee Chair meets EY at the Hikma head office in order to undertake a thorough review of the internal audit findings to date and the management responses. | EY report their initial findings to the full Committee. The Committee meets with EY without management present. |
| November | December |
| The Committee Chair has a further meeting with EY to undertake an in-depth review of the full year audit findings, review the results of the risk assessment that is undertaken in conjunction with management and consider the plan for the following year. | EY report their full year findings, risk assessment and plan for the following year to the Committee. The Committee meets with EY without management present. |



Going concern and viability

The Committee oversees the Group's going concern and viability position, which is reported on page 65.

Taxation

The Committee received reports from the Head of Tax regarding the tax implications of changes in the structure of the business. These structural changes were in response to the Board's desire to ensure close operational oversight of certain facilities by the divisional leadership and to move responsibility for core operational functions to a global level. The Committee considered the resulting impact on the effective tax rate and the deferred tax assets in key markets. The Committee reviewed management's proposals to deliver sufficient financial resources for certain subsidiaries. In accordance with the governance principles for the Group, compliance related taxation matters are considered by the CREC.

Financing

The Committee received and considered reports from management regarding the financial assets and liabilities of the Group. The Group has reduced its overall debt using free cash flow, whilst ensuring that sufficient facilities are available to fund future capital projects.

IT capability

The Committee received reports from the Chief Information Officer regarding the current status of the Group's information infrastructure and the medium-term plan to enhance the operational processes to enable the Group to maximise the value from the platforms. The Committee supported efforts to centralise group processes and encouraged the appointment of new personnel for newly centralised functions.

Risk

The Committee oversees the work of the Group's risk function, which is reported on pages 58 to 65. The Committee has ensured that the Board has been fully involved in the annual review of the principal risks and uncertainties on pages 61 to 64 and the Group's risk appetite on page 59.

As ever, if you have any questions, please do not hesitate to contact me.


Pat Butler
Chair of the Audit Committee
13 March 2018

Additional information

Copies on the work and policies of the Committee are available at the Company's registered office, 1 New Burlington Place, London W1S 2HR or by contacting cosec@hikma.uk.com.

Alternatively please visit our website for more information of the below.

- **Calendar of events**
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 www.hikma.com/investors/corporate-governance/key-committees/audit-committee/

Nomination and Governance Committee

Letter from the Chair



Enhancing leadership

2017 Highlights

- Undertook an extensive search process resulting in the appointment of a new Chief Executive Officer in February 2018
- Completed the implementation of the succession plan for Independent Directors and Committee Chairs
- Undertook an assessment of the Company and executive management in order to further develop succession planning
- Enhanced the controls related to the delegation of authority and reporting to the Board

2018 Priorities

- Developing a new plan for independent succession
- Considering additional board experience requirements
- Renewing the executive succession plan

Allocation of time



Members and attendance

| Member | Meetings | Attendance |
|-----------------------------|----------|------------|
| Robert Pickering (Chair) | 4/4 | 100% |
| Mazen Darwazah | 4/4 | 100% |
| Pat Butler ¹ | 3/4 | 75% |
| Nina Henderson | 4/4 | 100% |
| Michael Ashton ² | 2/2 | 100% |

1. Pat Butler was unable to attend one meeting due to a prior commitment with another organisation.
2. Michael Ashton retired following the 2017 May AGM.

Dear Shareholders

As in previous years, the Nomination and Governance Committee has considered succession planning for Independent Directors and executive management, governance, board structure and board effectiveness.

Executive succession

During 2016, the Committee considered potential internal candidates for the position of Chief Executive Officer ('CEO'). Following discussions with the Chairman and CEO regarding his desire to reduce his executive involvement, the Committee concluded that the Group should undertake an external search process in 2017. The Committee focused the search on candidates with the necessary depth of pharmaceutical experience, vision of where to lead the Company and ability to further develop the executive team.

The Committee spent a significant amount of time developing and implementing its plan to find a new CEO. The Committee oversaw the executive search process that was undertaken by Spencer Stuart and ensured that the Board and executive team had a thorough understanding of how the final candidate would fit into the organisation. Role profiles for the CEO and Executive Chairman were carefully developed. The profiles allow an appropriate sharing of responsibilities whilst ensuring that the CEO is responsible for delivering the Group's strategy.

Independent succession

With the retirement of Dr Ronald Goode in May 2018, the Company will have completed the 2014 succession plan for the orderly replacement of longer-serving independent directors who joined when the Company listed. The Committee is cognisant that, following the appointment of an additional executive director and Dr Ronald Goode's retirement, there will be an equal balance of independent and non-independent directors. During 2018, the Committee will develop arrangements for further succession of independent directors and will consider additional appointments in order to ensure an independent majority and the right mix of skills and experience.

Independent Non-Executive Directors are normally expected to serve for up to nine years. They may be invited to serve for longer, but additional service beyond nine years is subject to particularly rigorous review.

Experience and training

The Committee continues to believe that a longer induction period is desirable for new independent directors to allow for building understanding of the business and the transfer of knowledge and relationships associated with chairing committees. The Committee believes it is important for all directors to have significant international experience at an executive level, a challenging yet consensual style, and the highest level of integrity. The Committee regularly considers



whether there may be gaps in fulfilling the specific and in-depth experiences that the Board requires as a whole, which focuses on the following areas:

- Business environment in both the US and the MENA
- Pharmaceutical manufacturing and distribution
- Development of new generic pharmaceutical capabilities
- Listing regulation and governance

The Company supports Directors in their continued development. As the Directors are highly experienced, their training needs tend to be either ensuring awareness of changes in the business, political and regulatory environment, or bespoke training and mentoring on a particular area for development. Therefore, the Company financially supports specific training requests and ensures that Directors are briefed by internal and external advisers on a regular basis.

Commitment and interests

The Committee considers the commitment of all Directors both in terms of dedication to the role and their time availability. In order to ensure an appropriate balance of skills and diversity across the boardroom, the Committee has made accommodations to the board calendar to maximise availability and has acknowledged that there are times when this may mean that full attendance may not be achieved. The Committee has concluded that all Directors are fully dedicated, commit an appropriate amount of time to their roles, and are readily available at short notice. When seeking new directors with the experience required, there are occasions when limited compromises on availability are required in order to strengthen the Board. The Committee monitors the external appointments of directors from both an availability and conflict of interest perspective, whilst noting that experiences with other organisations can enhance a Director's ability to perform the role.

Governance

As part of the Committee's responsibilities, it regularly reviews the internal governance and control processes and keeps abreast of external governance developments. This year, the Committee focused on enhancing the matters reserved to the Board in terms of the coverage of activities, clarity of the powers delegated, and management focus on reporting and situations requiring referral. Additionally, the Committee reviewed and enhanced the Group's defence arrangements.

Re-election

Each member of the Board will stand for election or re-election at the 2018 AGM, with the exception of Dr Ronald Goode who will step down at the close of the meeting. The position of each Board member was closely reviewed during the year as part of the consideration of succession arrangements, consideration of independence issues, the Board and Committee evaluation processes and the ongoing dialogue between the Executive Chairman and the Senior Independent Director.

Diversity

Hikma's inclusive workplace welcomes different cultures, perspectives, and experiences from across the globe. Hikma welcomes variety and treats all employees equally regardless of any actual or perceived characteristic. Hikma is committed to employing and engaging talented people, irrespective of their race, colour, religious creed, age, sex, marital status, national origin, present or past history of mental or physical disability and any other factors not related to a person's ability to perform a role. Since its founding, Hikma has actively promoted gender diversity across its operations and continues to have excellent diversity in terms of culture, age, background, skills and experience. Hikma has successful empowerment and talent development programmes to help all employees make the most of their potential.



The Committee focused on depth of pharmaceutical experience, a vision of where to lead the Company and the ability to further develop the executive team."

The Board has not set specific, measurable diversity objectives because it needs flexibility to recruit the right candidates. The Board considers that it has always demonstrated strong ethnic diversity. The Committee was pleased to be able to improve gender diversity over the past few years but recognises that the current level of female representation is not sufficient for a leading international organisation. As the Committee considers appointing an additional independent director over the course of 2018, it will seek to identify candidates who bring the right skills and experience, as well as the potential to improve the gender balance. The Committee continues to require the external search consultants to actively seek female candidates and to ensure that a significant proportion of long and shortlisted candidates are female.

As Senior Independent Director, I am available at any time to discuss with shareholders any matter of concern.

For and on behalf of the Nomination and Governance Committee

Robert Pickering
Chair of the Nomination and Governance Committee
13 March 2018

Additional information

Copies on the work and policies of the Committee are available at the Company's registered office, 1 New Burlington Place, London W1S 2HR or by contacting cosec@hikma.uk.com.

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- **Director recruitment process**
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www.hikma.com/investors/corporate-governance/key-committees/nomination-and-governance-committee/

Compliance, Responsibility and Ethics Committee

Letter from the Chair



Strengthening integrity and human dignity

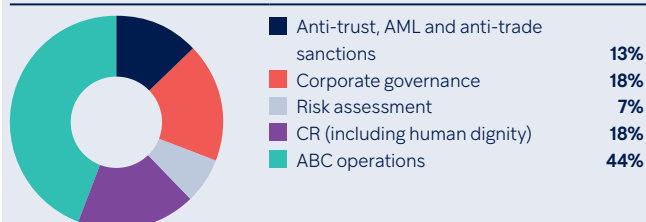
2017 Highlights

- Successful transition of Committee Chair
- Integrated US compliance into the global programme
- Implemented ABC enhancements from a recent risk assessment
- Promoted and further developed online training tools for all employees
- Advanced the anti-trust, anti-money laundering and trade sanctions programme

2018 Priorities

- Promote continued ABC and CR activities across the Group
- Further develop our human dignity programme
- Test and improve the systems that we have implemented

Allocation of time



Members and attendance

| Member | Meetings | Attendance |
|-------------------------|----------|------------|
| John Castellani (Chair) | 5/5 | 100% |
| Mazen Darwazah | 5/5 | 100% |
| Pat Butler | 5/5 | 100% |
| Dr Ronald Goode | 5/5 | 100% |
| Dr Pamela Kirby | 5/5 | 100% |

Dear Shareholders

This is my first letter to you as Chair of the Compliance, Responsibility and Ethics Committee. My first task is to thank Dr Ronald Goode, both for establishing this Committee and our Anti-bribery and Compliance ('ABC') programme, as well as providing excellent support and advice during the transition of the CREC Chair.

This year we have focused the report on the matters that occurred during the year. Further detail on the structure of our ABC compliance and integrity programme is available on our website.

Commitment to integrity

The Committee is very proud of Hikma's commitment to the highest standards of business integrity, including the zero tolerance of bribery and corruption and being a founding member of the World Economic Forum's Partnering Against Corruption Initiative. Whilst the Company operates in some markets that are considered high risk, it has been pleasing to note that Hikma's performance and leadership on business integrity is admired amongst our regulators, customers and suppliers.

ABC programme

Due to the 'top-down' commitment of our senior management and the effectiveness of our compliance team, our ABC programme is now well embedded into the organisation. The Committee receives regular reports on issues arising and oversees the continued improvement of the programme. Further to the report last year, the team has addressed the issues identified in our most recent risk assessment by enhancing the relevant processes in our US businesses. I am pleased to report that our US ABC efforts are now fully integrated into our global programme.

Under the guidance of the General Counsel, we have brought the ABC activities into the internal audit programme. The ongoing monitoring and review by the internal auditors ensures that the ABC programme continuously improves. In the view of the Committee, the implementation of internal audit practices demonstrates that we have successfully taken our ABC programme from initiation to the current fully operational phase.

During the year, the Compliance department developed and tested a new process and platform for dealing with the complicated challenges associated with third-party risks. The system will be implemented during 2018.



Training

Following the development of an online ABC training module last year, the Compliance department have rolled out the application to all Group sites and integrated it with our HR on-boarding activities. Additionally, the application has been further enhanced with the addition of new modules which enhance understanding of our commitment to integrity.

The Board has fully supported the training programme, which all directors, officers and senior executives have completed.

Code of Conduct

The Committee continues to oversee the development and promotion of the Group's Code of Conduct, which embodies the important moral and ethical values that the Company seeks to promote. The Code guides all the Committee's activities and is the key reference point for all our employees.

Speak-up

The Committee continued to receive regular reports on issues identified through the Group's well-established speak-up arrangements, which include anonymous reporting lines that report directly to the Compliance department and Chair of the CREC. The Committee remains satisfied that the procedures, which include a committee of senior Group employees that undertake proportionate investigations and implements corrective action, are appropriate and effective. The Committee is pleased to report that the regional speak-up facilities were consolidated into one group-wide application during the year.

Anti-trust, anti-money laundering and trade sanctions

The General Counsel oversees the Group's compliance within the anti-trust, anti-money laundering ('AML') and trade sanctions legislation and reports to the Committee in this regard. The Group has established extensive policies and procedures to ensure compliance, which have been reviewed by the Committee during the year. Over the course of the year, the General Counsel provided advice to the Committee on the changing sanctions landscape and how this affects the Company's operations and strategy.

Compliance with Criminal Finances Act

During the year, the Committee undertook a risk assessment exercise in response to recently introduced tax evasion legislation from the UK government. The Group has started implementing processes and procedures that are proportionate to its risk of failure to prevent the facilitation of tax evasion. The Group is steadfast in applying the principles of the UK tax evasion legislation across all its businesses within the Group and will continue to oversee matters of compliance.

Modern slavery

Hikma is committed to ensuring that modern slavery in the form of forced or compulsory labour and human trafficking does not take place in any of its businesses or supply chains across the globe. Key measures in support of this goal include training Hikma staff on labour standards and how to recognise and respond to any incidences of modern slavery, undertaking periodic analysis and management of any modern slavery risk in Hikma's businesses or supply chains, carrying out appropriate due diligence and engaging on the issue with supply chain partners.

Corporate responsibility

The Committee has overseen, encouraged and supported the Corporate Responsibility programme which is so clearly linked to our founder's desire to improve lives, particularly through educational and development opportunities for the least privileged. Our Corporate Responsibility report is contained on pages 44 to 57.



We have successfully taken our ABC programme from initiation to the current fully operational phase."

Ethical issues

The Committee oversaw the Company's response to ethical issues arising during the year, including the potential misuse of products by Departments of Corrections in the US.

I am available at any time to discuss with shareholders any matter of concern.

For and on behalf of the Compliance, Responsibility and Ethics Committee

John Castellani

Chair of the Compliance, Responsibility and Ethics Committee
13 March 2018

Additional information

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- **Commitment to integrity**
 www.hikma.com/sustainability/global-frameworks/
- **Code of Conduct**
 www.hikma.com/about/ethics-and-compliance/code-of-conduct/

Remuneration Committee

Letter from the Chair



Aligning achievement and performance with pay

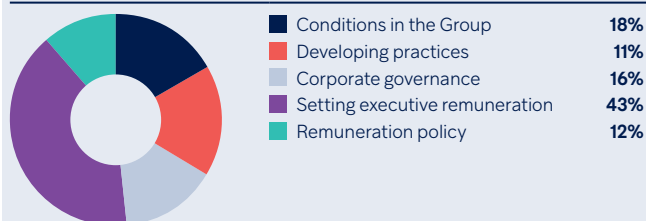
2017 Highlights

- Fine tuned the performance metrics and their alignment with strategy
- Extended the 5 year holding period to 100% of shares vesting
- Restrained executive salary increases
- Reviewed management incentivisation leading to the recommendation to renew the MIP
- Continued to embed the talent management programme
- Considered and responded to issues raised by shareholders

2018 Priorities

- Enhancing oversight of employee conditions and employee engagement

Allocation of time



Members and attendance

| Member | Meetings | Attendance |
|-----------------------------|----------|------------|
| Dr Pamela Kirby (Chair) | 6/6 | 100% |
| Pat Butler ¹ | 5/6 | 83% |
| John Castellani | 6/6 | 100% |
| Dr Ronald Goode | 6/6 | 100% |
| Nina Henderson ² | 5/6 | 83% |
| Robert Pickering | 6/6 | 100% |
| Michael Ashton ³ | 3/3 | 100% |

1. Pat Butler was unable to attend one meeting due to a prior commitment with another organisation.
2. Nina Henderson was unable to attend one meeting due to a commitment that had been scheduled prior to joining the Board.
3. Michael Ashton retired following the 2017 May AGM.

Dear Shareholders

As outlined in the Chairman's statement, 2017 was a challenging year for the business and our shareholders. The pay and incentive outcomes for 2017 reflect this, reinforcing the Committee's pay for performance policy. We do, however, enter 2018 with optimism following the appointment of Siggj Olafsson as Chief Executive Officer (CEO) and with Said transitioning to Executive Chairman. In appointing a candidate of Siggj's calibre, the Committee sought to balance the need to secure his appointment without paying more than is necessary and, importantly, on terms allowed by our policy as it was approved by shareholders at the 2017 AGM. I provide further detail on the remuneration arrangements for the executive directors along with other pay related matters below.

Chief Executive compensation

The Committee expended a significant effort developing a package that was designed to attract and motivate a new CEO, whilst taking into account the UK governance and remuneration environment. Siggj Olafsson brings extensive experience and leadership skills that are essential to Hikma's future success. For an executive of his calibre, the Committee had to take account of comparable packages in the US based pharmaceutical companies. The Committee also determined that the position of US CEO should not be retained following the incumbent's retirement in December 2017, thereby reducing the total compensation paid to all executives. Whilst the potential performance remuneration in the first year is within approved policy, the Committee considered it necessary to provide the CEO with an enhanced award for 2018 only, that is limited to the lesser of 150% of base salary or 72,000 shares. Attaching to this award are stretching and specific targets that the Board has identified as critical to our ongoing success. A sale restriction will apply such that the full value of the shares subject to the enhanced award will not be realisable for five years.

Performance remuneration

Following approval of policy at the 2017 AGM, the Committee has continued to monitor and refine the performance criteria attaching to performance remuneration in order to provide the optimum balance between short-term financial objectives and longer-term strategic imperatives.

In order to generate adequate returns for shareholders, the strategy of generic pharmaceutical companies relies on a relatively small proportion of their product portfolio. This niche portion is dominated by products that have high barriers to entry, recently ceased to be patent protected, or where there is a shortage in supply. Therefore, developing these new product capabilities is critical to the Group's success. The financial performance targets are set at a level that requires the delivery of new product capabilities and certain strategic targets require the delivery of specific new product capabilities.



The year under review has been challenging for the Group and has resulted in a significant reduction in shareholder value. Whilst the generics environment has been challenging for us and our competitors, management has experienced some difficulties in delivering new product capabilities that were considered strategically critical. In light of the Group's performance, Said Darwazah has elected not to receive any performance remuneration for the year ended 31 December 2017.

The MENA business has been one of the strongest-performing parts of the Group, which has led to greater performance remuneration for Mazen Darwazah. However, in light of the above mentioned challenges for the Group as a whole, remuneration related to Group performance has also been waived by the Executive Vice Chairman.

Salaries

There will be no annual base salary increases for executive directors for 2018. Following the appointment of the CEO, and the change in Said Darwazah's role to Executive Chairman, the salary of the Executive Chairman has been reduced by 20%, commensurate with the change in his responsibilities. The Committee supported management's decision to apply only selective salary increases and bonus payments to employees below the executive level to retain talent and the delivery of strategy.

Holding periods

In response to the changing governance environment and by way of demonstrating the Committee and management's positive long-term view, we have decided to extend the five year holding period for Executive Directors and members of the Executive Committee from 50% of shares vesting to 100% of shares vesting. This change will affect grants under the Executive Incentive Plan ('EIP') from 2019, therefore applying to performance periods from the beginning of 2018.

Management incentivisation

During the year, the Committee reviewed the incentivisation arrangements for management below the executive level. The existing Management Incentive Plan ('MIP') is very well understood throughout the organisation, strongly aligns individual and group performance with the compensation outcome, and was the foundation for the development of the executive performance remuneration arrangements. Therefore, the Committee recommends to shareholders the renewal of the MIP and asks for their support at the AGM. A summary of the key terms of this plan is included in the AGM circular.

External views

When considering setting remuneration and determining policy, the Committee carefully considers how its actions may be perceived by shareholders, the business community, and the wider public. The Committee remains abreast of remuneration commentary, reviews feedback from shareholders, and takes into consideration the latest views of investor bodies and their representatives. The Committee is committed to consulting on its ideas, having undertaken four shareholder consultations over seven years.



In light of the Group's performance, Said Darwazah has elected not to receive any performance remuneration for the year ended 31 December 2017."

In April 2018, members of the Board will be consulting shareholders in order to receive views and guidance on the governance and remuneration changes that were necessary to accommodate the appointment of the CEO and the role change for the Executive Chairman.

Internal views

The Committee does not directly consult employees on the Policy contained in this Report, but receives regular updates on employee feedback through the Group HR department and the employee engagement survey, which is conducted by an external organisation and includes views on remuneration. The Committee considers it is very important to ensure alignment between the compensation for Executive Directors and all employees.

Advice and support

The Committee seeks the assistance of senior management on matters relating to policy, performance and remuneration, but ensures that no director or employee takes part in discussions relating to their own remuneration or benefits.

Following a competitive tender process in 2016, Willis Towers Watson ('WTW') were appointed by the Committee. WTW continued to provide independent advice to the Committee in relation to market practice, UK corporate governance best practice, incentive plan review and target setting and support to our HR department. A policy fee structure is in place for the provision of advice and is used to determine a quote for each project before it is undertaken. The total fees for advice to the Committee during the year were \$74k (2016: \$178k, as part of the remuneration policy review). The Committee reviewed the performance of WTW during the year and fees received, concluding that WTW remained independent and continued to provide high-quality service to the Committee. WTW adheres to the Remuneration Consultants Group Code of Conduct.

As an organisation, Hikma is committed to clear and open communication. I remain open to discussion with shareholders should there be any matters that they wish to raise directly.

Dr Pamela Kirby
Chair of the Remuneration Committee

Additional information

Copies on the work and policies of the Committee are available at the Company's registered office, 1 New Burlington Place, London W1S 2HR or by contacting cosec@hikma.uk.com.

Alternatively please visit our website for more information of the below.

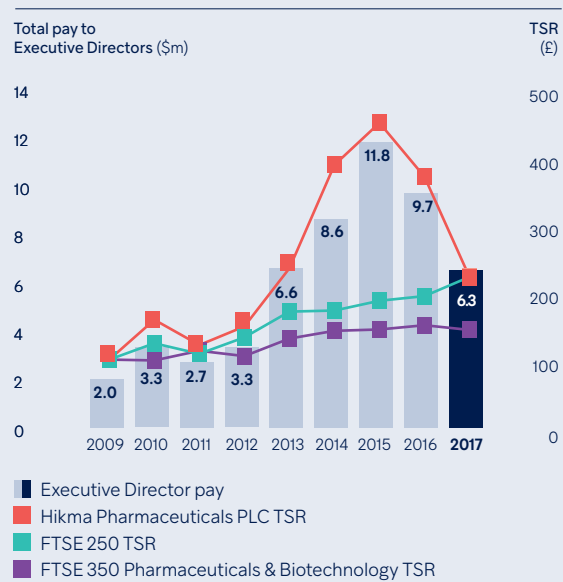
- **Remuneration Policy: on pages 109 to 118 of the Annual Report 2016**
- **Calendar of events**
- **Internal and external advisers**
- **Responsibilities and terms of reference**

www.hikma.com/investors/corporate-governance/key-committees/remuneration-committee/

Remuneration dashboard

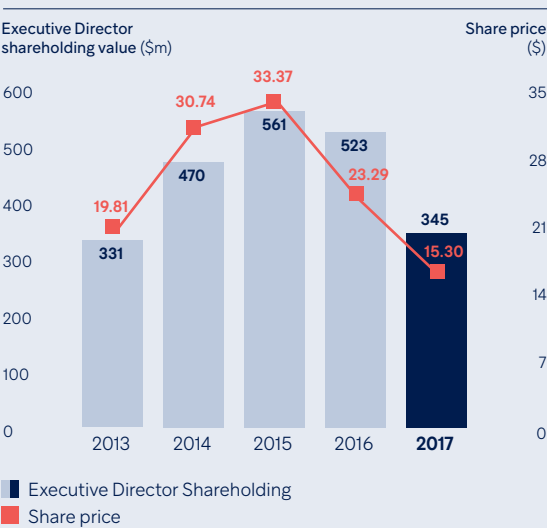
TSR and total executive pay (\$m)

The Committee seeks to ensure that executive pay reflects the shareholder experience, including the experience compared to the Company's index (FTSE 250) and sector (FTSE 350 pharmaceuticals) which influence remuneration decisions. The graph below shows the growth in value of £100 invested in Hikma ordinary shares against its comparators.



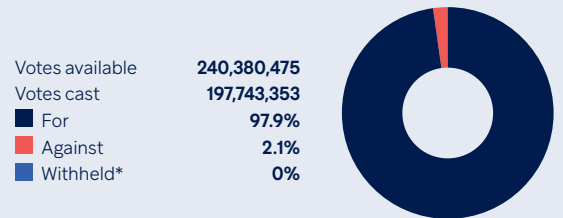
Value of executive holdings (\$m)

Hikma's executive directors have substantial equity interests, which strongly aligns their long-term interests with shareholders.



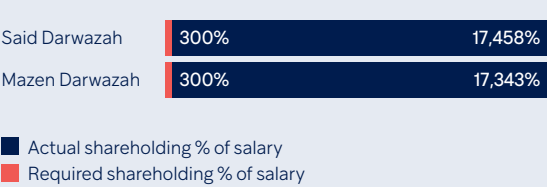
Shareholder approval

Annual Report on Remuneration (19 May 2017 AGM)

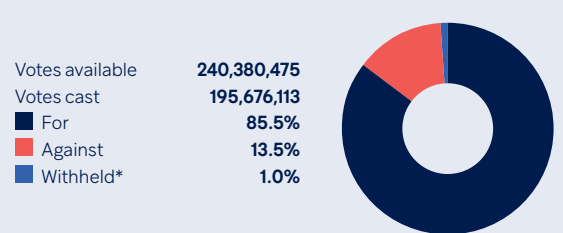


Executive equity

Executive directors are required to build and maintain a minimum shareholding equal to at least three times base salary.

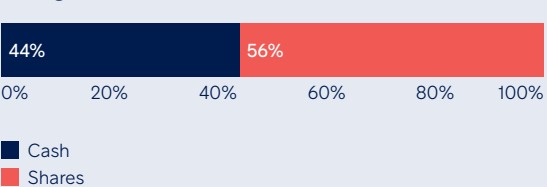


Remuneration Policy (19 May 2017 AGM)



Share-based pay

Remuneration is weighted towards equity to further align management and shareholders.



* Under the Companies Act 2006 votes 'Withheld' are not a valid vote and, therefore, are discounted when considering approval at a general meeting.



Employees

CEO and average employee change

The table below shows how the percentage change in the Chief Executive Officer's (CEO) salary, benefits and bonus between 2016 and 2017 compared with the percentage change in the average of each of those components of pay for employees (excluding the Executive Directors). The CEO data reflects the position of Said Darwazah as Chairman and CEO.

| | Salary | | | Benefits | | | Bonus | | |
|----------------------|--------------------|-------------|-------------------|------------------|----------|-------------------|----------------|-------------|-------------------|
| | 2017 | 2016 | Percentage change | 2017 | 2016 | Percentage change | 2017 | 2016 | Percentage change |
| CEO | \$1,273,080 | \$1,236,000 | 3.0% | \$101,295 | \$85,000 | 19.2% | \$0 | \$2,116,299 | -100.0% |
| Employees (\$m) | 284 | 278 | 2.2% | 112 | 94 | 19.1% | 37 | 42 | -11.9% |
| Number of employees | 8,521 | 8,339 | 2.2% | 8,521 | 8,339 | 2.2% | 8,521 | 8,339 | 2.2% |
| Average per employee | \$33,329 | \$33,337 | 0.0% | \$13,144 | \$11,272 | 16.6% | \$4,342 | \$5,037 | -13.8% |

The Group's pay review which took effect from 1 January 2018 awarded average percentage increases in wages and salaries of 2.0 to 3.0% for existing employees (with certain exceptions for jurisdictions experiencing very high inflation). The nature and level of benefits to employees in the year ended 31 December 2017 were broadly similar to those in the previous year. The increased level of benefits for the Chairman and CEO relates to a re-assessment of medical benefits received. The total amount of bonuses paid to employees (excluding the Executive Directors) in respect of the year ended 31 December 2017 was 11.9% lower than in 2016.

Relative importance of spend on pay

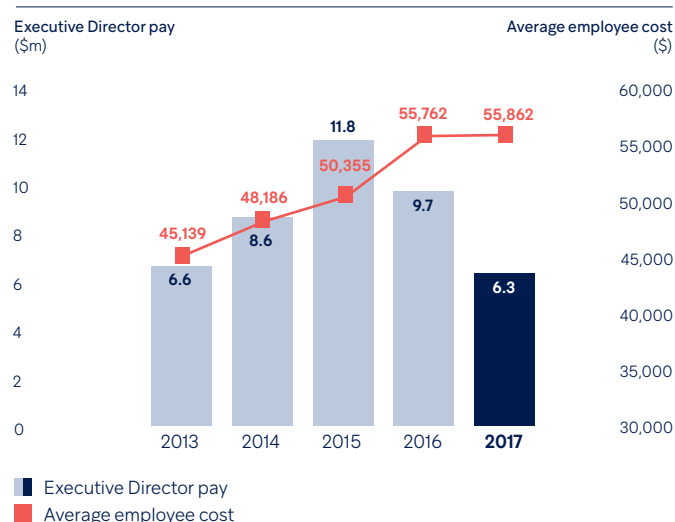
The following table sets out the total amount spent in 2017 and 2016 on remuneration of the Group's employees and major distributions to shareholders.

| | 2017 | 2016 | % change from 2016 to 2017 |
|-------------------------------|--------------|--------|----------------------------|
| Distribution expense | | | |
| Employee remuneration | \$485 | \$465m | 4.3% |
| Distributions to shareholders | \$79m | \$79m | 0.0% |

Employment conditions

All employees receive a salary, pension and medical insurance on a similar basis to Executive Directors. Additionally, all employees participate in a cash bonus scheme, which is similar to Element A of the EIP. The Committee reviews detailed internal and summary benchmarking data, and is satisfied that the level of remuneration is proportionate across the HR grades.

Employee cost and total executive pay (\$m)



Remuneration Committee continued

Remuneration and performance summary

References in this document to the 'Regulations' refer to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, with which this report complies.

Performance components

| | 2016 | | 2017 |
|-------------------------------------|----------|------|-----------------|
| Sales | \$1,950m | -1% | \$1,936m |
| Core Profit | \$359m | -9% | \$328m |
| Share price | 1,893p | -40% | 1,134p |
| Dividend | 33 cents | 3% | 34 cents |
| Employee compensation | \$465m | 4% | \$485m |
| Shareholder implementation approval | 88.97% | | 97.93% |
| Shareholder policy approval | N/A | | 85.49% |

Total remuneration

| Executive Director | 2016 (\$000) | | 2017 (\$000) | | 2018 (\$000) (estimate) |
|--------------------|--------------|------|--------------|------------|----------------------------|
| Said Darwazah | 6,308 | -44% | 3,522 | 19% | 4,185 |
| Siggi Olafsson | N/A | N/A | N/A | N/A | 3,840 |
| Mazen Darwazah | 3,419 | -18% | 2,796 | 3% | 2,867 |

Components

| | 2016 (\$000) | | 2017 (\$000) | | 2018 (\$000) (estimate) |
|-----------------------------------|--------------|-------|--------------|-------------|----------------------------|
| Salary¹ | | | | | |
| Said Darwazah | 1,236 | 3% | 1,273 | -20% | 1,018 |
| Siggi Olafsson | N/A | N/A | N/A | N/A | 1,100 |
| Mazen Darwazah | 696 | 3% | 717 | 0% | 717 |
| Bonus² | | | | | |
| Said Darwazah | 2,116 | -100% | 0 | N/A | 1,528 |
| Siggi Olafsson | N/A | N/A | N/A | N/A | 2,475 |
| Mazen Darwazah | 1,137 | -65% | 402 | 168% | 1,076 |
| Share awards³ | | | | | |
| Said Darwazah | 2,871 | -29% | 2,050 | -29% | 1,459 |
| Siggi Olafsson | N/A | N/A | N/A | N/A | 0 |
| Mazen Darwazah | 1,492 | 0% | 1,498 | -40% | 895 |
| Pensions⁴ | | | | | |
| Said Darwazah | 0 | N/A | 98 | -19% | 79 |
| Siggi Olafsson | N/A | N/A | N/A | N/A | 165 |
| Mazen Darwazah | 0 | N/A | 56 | 0% | 56 |
| Other benefits⁵ | | | | | |
| Said Darwazah | 85 | -19% | 101 | 0% | 101 |
| Siggi Olafsson | N/A | N/A | N/A | N/A | 100 |
| Mazen Darwazah | 94 | 31% | 123 | 0% | 123 |



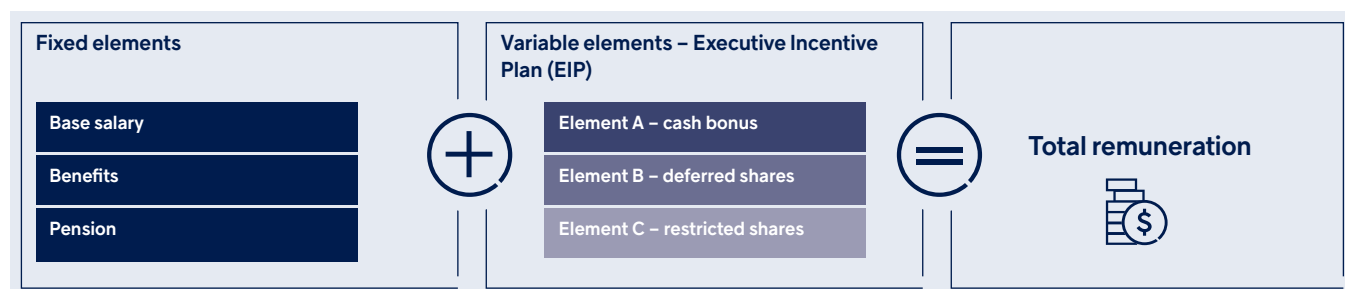
Non-Executive Directors' fees

| Non-Executives | 2016 (£000) | | 2017 (£000) | | 2018 (£000) (estimate) |
|---|-------------|------|-------------|-------|---------------------------|
| Non-Executive Directors' average total fee ⁵ | 96.2 | -12% | 84.6 | -3.2% | 81.9 |

1. Salary: The average rise for salaries across the Group in 2017 was 2-3%. Said Darwazah's salary has been reduced in line with his change of responsibilities on becoming Executive Chairman in February 2018.
2. Bonus: The bonus figure comprises Elements A and C of the EIP. See page 92 for further explanation. The 2018 estimate is based on target performance.
3. Share awards: 2016 figures represent 2013 LTIPs exercised during the year. 2017 figures represent 2014 LTIP and Element B of the 2015 EIP exercised during the year. 2018 is an estimation of the value of Element B of the 2016 EIP and Element C of the 2015 EIP that are to vest in that year, using 31 December 2017 vesting percentages, share prices and exchange rates.
4. Pension: The Company did not contribute to the Executive Directors' pensions during 2016, but has contributed in all other years. Said Darwazah and Mazen Darwazah participate in the same pension plan as Jordanian employees, their country of employment.
5. NED fees: The average Non-Executive Director's fee includes basic fee and Committee membership and Chair fees. Full breakdown of fees on page 107.

Remuneration Policy Summary

The Directors' Remuneration Policy (the 'Policy') is summarised below and is detailed in full on pages 109 to 118 of the 2016 Annual Report and can also be found on the website at: www.hikma.com/investors/corporate-governance/key-committees/remuneration-committee/. The Policy in full was approved at the AGM held on the 19 May 2017. The Policy took effect from this date and may operate for up to three years.



Fixed elements: operational overview

| | Purpose and link to strategy | Operation |
|----------------|--|---|
| Fixed elements | Base salary Provides a base level of remuneration to support recruitment and retention of Directors with the necessary experience and expertise to deliver the Group's strategy. | Base salaries for individual Executive Directors are reviewed annually by the Committee, but not necessarily increased. Any changes normally take effect from 1 January. Salaries are set with reference to: <ul style="list-style-type: none"> Pay increases for the general workforce; individual performance, experience and contribution; market pay in UK listed companies of a similar size, and relevant peer companies from the pharmaceutical sector; Company performance; and affordability. Salaries for individuals who are recruited or promoted to the Board may be set below market levels at the time of appointment, with the intention of bringing the base salary levels in line with the market as the individual becomes established in their role. |
| | Benefits Provides competitive benefits in the market to enable the recruitment and retention of directors. | Benefits may include, but are not limited to: healthcare, school fees, company cars, and life insurance. |
| | Pension Provides a minimum level of pension contribution to support a low fixed cost and highly entrepreneurial remuneration policy. | A defined contribution scheme and/or cash supplement in lieu of pension may be provided. <p>Executives currently participate on the same basis as employees in the Hikma Pharmaceuticals Defined Contribution Retirement Benefit Plan (the 'Benefit Plan'), which operates in accordance with the rules relevant to employees in Jordan. Participants are entitled to 30% of the Group's contributions to the Benefit Plan after three years of employment with the Group, and an additional 10% in each subsequent year.</p> <p>Should a new executive be appointed to the Board, they would normally participate in the Benefit Plan, according to the rules relevant to employees in the appropriate jurisdiction.</p> |

Variable elements: operational overview (EIP)

| Element | Maximum award % of salary | Payout mechanism | Vesting period | Risks after award | Additional requirements | Treatment under the remuneration regulations |
|---------|---------------------------|-------------------|----------------|---|--|--|
| A | 150% | Cash bonus | Immediate | – Clawback | None | Cash bonus |
| B | 150% | Deferred Shares | 2 years | – Forfeiture – Clawback – Share price – Employed | 50% of the total Share Award is subject to a holding period after vesting. These shares may not be sold until 5 years after grant. | Share award |
| C | 100% | Restricted Shares | 3 years | – Clawback – Share price – Employed | | Bonus* deferred in shares |

* The Regulations require Element C to be included in the 'Bonus' component for reporting purposes, although it is an award of shares that will vest three years after grant.

The Company discloses the nature and weighting of the 2018 performance targets in the Policy Implementation report on pages 93 to 97. Details of the 2017 performance targets, their level of satisfaction and the resulting performance remuneration are disclosed on pages 100 to 103.



Policy implementation 2018

Salaries, benefits and pension

The Committee considered that there should be no increases to salary in 2018. The application of benefits and pension is unchanged. Said Darwazah's salary has been reduced in line with his change of responsibilities on becoming Executive Chairman in February 2018.

| Executive Director | Salary | | Change |
|-------------------------|--------------------|-------------|--------|
| | 2018 | 2017 | % |
| Executive Chairman | \$1,018,464 | \$1,273,080 | -20% |
| Chief Executive Officer | \$1,100,000 | N/A | N/A |
| Executive Vice Chairman | \$717,155 | \$717,155 | 0% |

CEO additional remuneration

In respect of Siggi Olafsson's first year of appointment only, he is eligible for an additional potential performance related award of up to 150% of salary or 72,000 shares (whichever is the lesser) under a bespoke deferred bonus arrangement in accordance with the policy for recruitment (see page 114 of the 2016 reports and accounts).

Rationale

The Committee had a challenging task balancing competing factors when considering the potential additional award:

- The Board believes that it was essential to gain the experience and leadership skills of the CEO, particularly in ensuring that the Group's operations globally aligned and maximise the US business, which represents a substantial proportion of revenue;
- There was unanimous agreement that Siggi Olafsson was the ideal candidate;
- UK governance and remuneration practice has a strong bearing on the Committee's position; and
- Other global generics companies, particularly those with significant US operations, have recently awarded highly competitive up-front packages to Chief Executives who are in a comparable position.

Operation

The award will operate on a similar basis to Element C of the EIP. The key features are:

- The award is subject to stretching performance criteria that require the CEO to achieve priorities that have been identified by the Board as strategically and operationally critical;
- The performance criteria are measured over the year to 31 December 2018;
- The potential award would be a deferred bonus by way of an award of shares that would vest three years from the date of grant;
- The price used to determine the number of shares uses the same mechanism as the EIP;
- The award is subject to Malus and Clawback provisions in accordance with the Company's policy; and
- The entire potential award is subject to a holding period of five years from the date of grant.

Performance targets

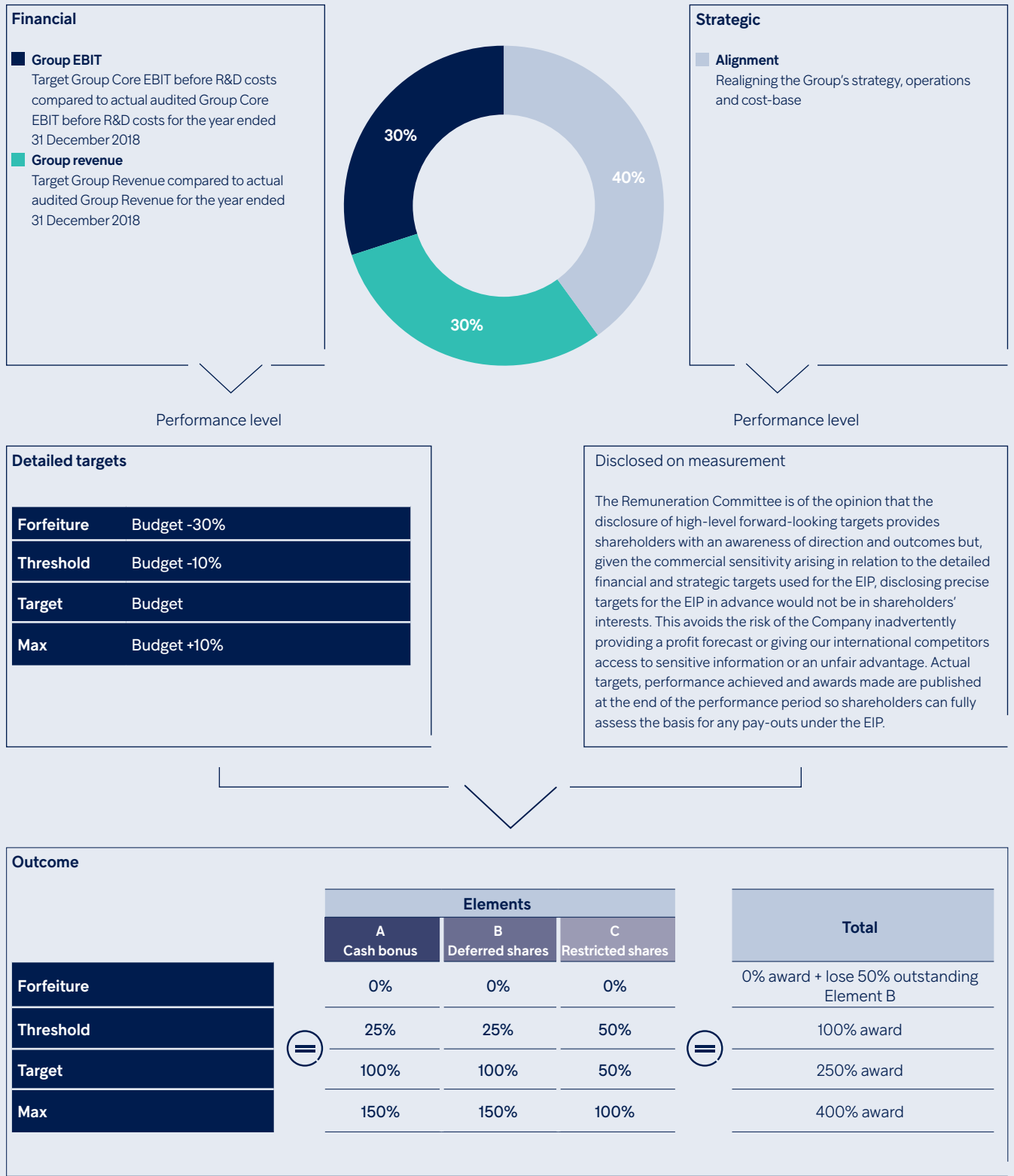
Due to the commercial sensitivity of the targets, a summary of the performance criteria for the potential award are detailed below. Full details will be provided following assessment of performance:

| Section | Description | Performance Condition | | Performance Condition | | |
|-----------|------------------|---|--------|--------------------------|--------|-------------|
| | | Measurement | Weight | Threshold | Target | Max |
| Financial | Generics EBIT | Target EBIT before R&D costs for the Generics division compared to the outcome for the year ending 31 December 2018 | 35% | Target -10% | Target | Target +10% |
| | Generics Revenue | Target Revenue for the Generics division compared to the outcome for year ending 31 December 2018 | 35% | Target -10% | Target | Target +10% |
| Strategic | R&D | Restructuring the Company's approach to R&D and ensuring that new products are delivered | 30% | Disclosed on measurement | | |

Executive Incentive Plan (EIP)

The 2018 performance conditions and their weighting are set out on the following three pages.

2018 Performance criteria: Executive Chairman





2018 Performance criteria: Chief Executive Officer

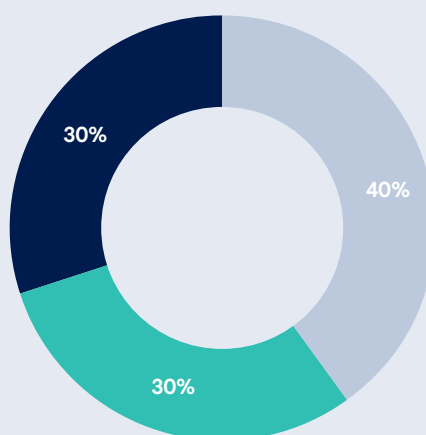
Financial

■ Group EBIT

Target Group Core EBIT before R&D costs compared to actual audited Group Core EBIT before R&D costs for the year ended 31 December 2018

■ Group revenue

Target Group Revenue compared to actual audited Group Revenue for the year ended 31 December 2018



Strategic

■ Alignment

Realigning the Group's strategy, operations and cost-base

Performance level

Performance level

Detailed targets

| | |
|-------------------|-------------|
| Forfeiture | Budget -30% |
| Threshold | Budget -10% |
| Target | Budget |
| Max | Budget +10% |

Disclosed on measurement

The Remuneration Committee is of the opinion that the disclosure of high-level forward-looking targets provides shareholders with an awareness of direction and outcomes but, given the commercial sensitivity arising in relation to the detailed financial and strategic targets used for the EIP, disclosing precise targets for the EIP in advance would not be in shareholders' interests. This avoids the risk of the Company inadvertently providing a profit forecast or giving our international competitors access to sensitive information or an unfair advantage. Actual targets, performance achieved and awards made are published at the end of the performance period so shareholders can fully assess the basis for any pay-outs under the EIP.

Outcome

| | Elements | | | Total |
|-------------------|-----------------|----------------------|------------------------|---|
| | A Cash bonus | B Deferred shares | C Restricted shares | |
| Forfeiture | 0% | 0% | 0% | 0% award + lose 50% outstanding Element B |
| Threshold | 25% | 25% | 50% | 100% award |
| Target | 100% | 100% | 50% | 250% award |
| Max | 150% | 150% | 100% | 400% award |

2018 Performance criteria: Executive Vice Chairman

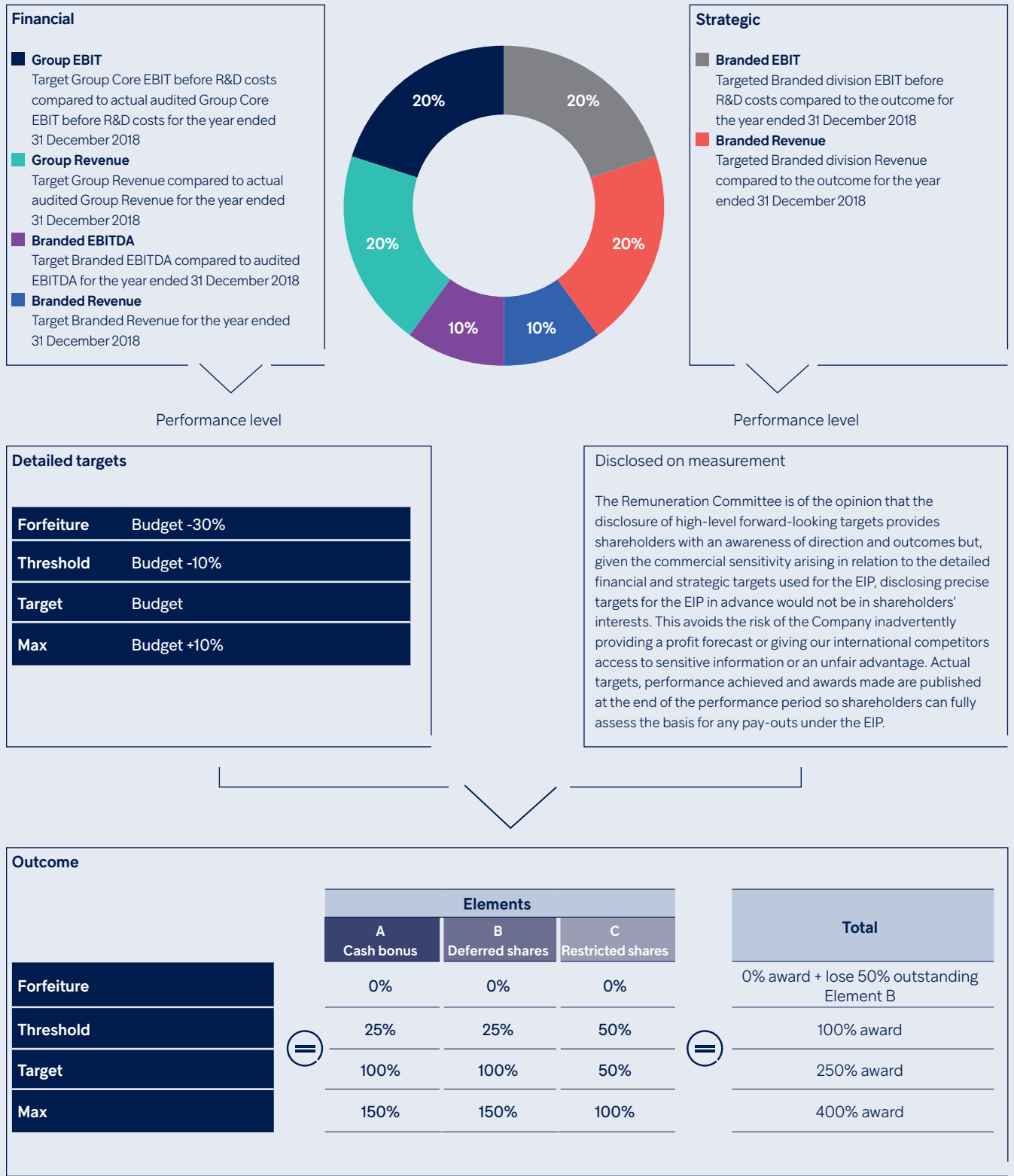
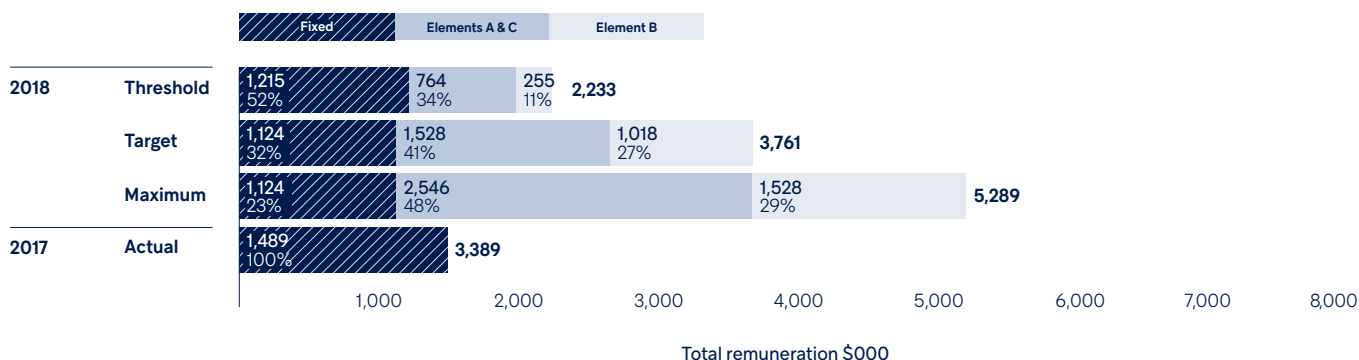




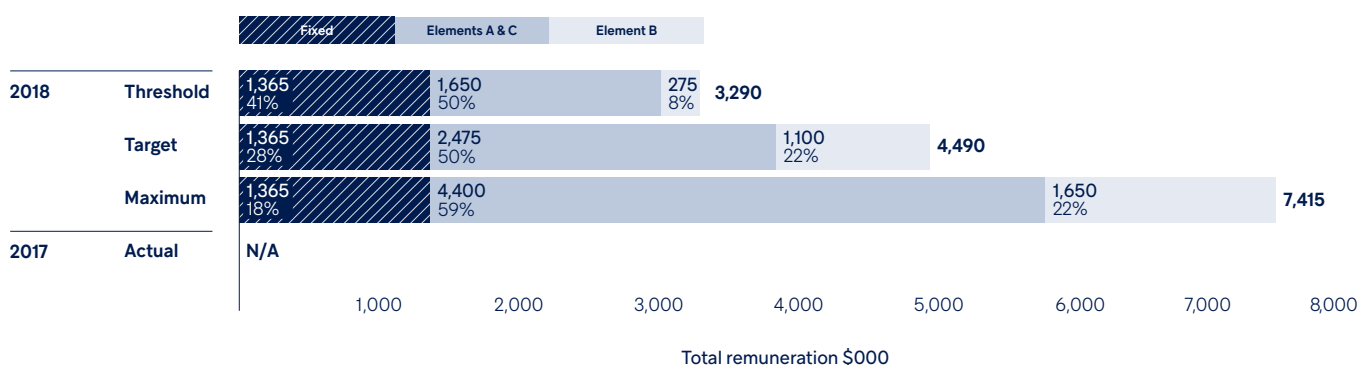
Illustration of policy

The following charts show the value of each of the main elements of the compensation package provided to the Executive Directors during 2017 and the potential available for 2018 (dependent upon performance).

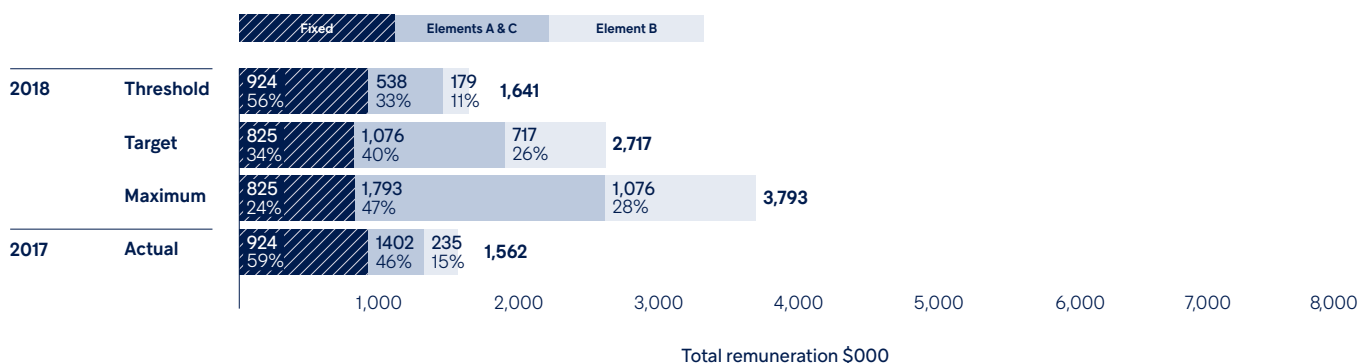
Said Darwazah



Siggi Olafsson



Mazen Darwazah



The following notes are applicable to the above calculations:

- Salary, benefits and pension comprise 'Fixed' remuneration.
- Elements A and C of the EIP comprise the Bonus and Element B comprises the share award. Elements A, B and C of the EIP are made in the year after the performance is achieved (e.g. for the 2018 illustration, the bonus would be paid and the share awards be made in 2019. The share awards would vest two to three years later). Please note that the Remuneration and performance summary on page 90 uses share awards vesting (i.e. actual shares received, not those granted) during the period in order to make clear the difference between potential remuneration and what the executive receives in practice.

Remuneration Committee continued

Annual report on remuneration

All of the information presented on the following two pages have been audited by PwC. For the year ended 31 December 2017, the Group's policy on remuneration was implemented as set out below.

Single total figure

The following table shows a single total figure of remuneration in respect of qualifying services for the 2017 financial year for each Executive Director, together with comparative figures for 2016.

| Director | Year | Salary \$ | Benefits \$ | Bonus (EIP Elements A & C) \$ | Shares (LTIP and EIP Element B) \$ | Pension \$ | Total \$ |
|----------------|------|-----------|-------------|-------------------------------------|--|------------|-----------|
| Said Darwazah | 2017 | 1,273,080 | 101,295 | 0 | 2,049,637 | 98,330 | 3,522,346 |
| | 2016 | 1,236,000 | 85,000 | 2,116,299 | 2,870,939 | Nil | 6,308,238 |
| Mazen Darwazah | 2017 | 717,155 | 122,500 | 402,324 | 1,497,983 | 55,871 | 2,795,833 |
| | 2016 | 696,267 | 94,000 | 1,136,753 | 1,491,746 | Nil | 3,418,766 |

The EIP performance criteria for 2017 are detailed on pages 100 to 103 and criteria for the LTIP that vested on 29 May 2017 are on page 99.

Benefits

Said Darwazah received transportation benefits of \$85,000 (2016: \$85,000) and medical benefits of \$16,295 (2016: \$nil). Mazen Darwazah received transportation benefits of \$94,000 (2016: \$94,000) and medical benefits of \$22,500 (2016: \$nil). Social security payments made in Jordan, that are required to be paid by Jordanian law, are not considered to be a benefit.

Pension

The Company did not contribute to the Executive Directors' pension during 2016, but resumed contributions in 2017 on the same basis as previous years. Said Darwazah and Mazen Darwazah participate in the Hikma Pharmaceutical Defined Contribution Retirement Benefit Plan (the 'Benefit Plan') on the same basis as other employees located in Jordan. The Executive Directors do not receive personal pension contributions from the Group. Under the Benefit Plan the Group matches employee contributions made, which are fixed at a maximum of 10% of applicable salary. Participants become entitled to all of the Group's contributions once they have been employed for 10 years. Before that point, there is a staggered scale which starts at three years of employment. The Executive Directors have served for in excess of ten years and will receive their benefits under the Benefit Plan when they reach their 60th birthday. The Company does not and has not operated a defined benefit scheme.

Vested share awards

During 2017, the following share awards vested for the Executive Directors. The total shares vested in 2017 are summarised in the following two tables.

Executive Chairman

| Scheme | Shares | Value |
|--------------------|---------------|--------------------|
| LTIP 2014 | 52,164 | \$1,130,724* |
| EIP Element B 2015 | 41,000 | \$918,913** |
| Total | 93,164 | \$2,049,637 |

* Share price on LTIP vesting was £16.88 and there were \$1.28393 to £1. **Share price on EIP vesting was £17.38 and there were \$1.28806 to £1.

Executive Vice Chairman

| Scheme | Shares | Value |
|--------------------|---------------|--------------------|
| LTIP 2014 | 38,088 | \$825,608* |
| EIP Element B 2015 | 30,000 | \$672,375** |
| Total | 68,088 | \$1,497,983 |

* Share price on LTIP vesting was £16.88 and there were \$1.28393 to £1. **Share price on EIP vesting was £17.38 and there were \$1.28806 to £1.

EIP

During 2017, the first grant vested under the EIP, Element B from the award in 2015. The first Element C award and the 2016 Element B award will vest in 2018. Under the EIP, performance criteria must be met before grant and the full award vests, providing there have been no forfeiture events.

Executive Chairman – EIP

| | |
|---|---------------------------------------|
| Maximum number of shares capable of vesting | 41,000 |
| Forfeiture | Nil |
| Number of vested shares | 41,000 |
| Total value of vested shares* | £712,580 (\$918,913) |

* Share price on vesting was £17.38 and there were \$1.28806 to £1.



Executive Vice Chairman – EIP

| | |
|---|---------------------------------------|
| Maximum number of shares capable of vesting | 30,000 |
| Forfeiture | Nil |
| Number of vested shares | 30,000 |
| Total value of vested shares* | £521,400 (\$672,375) |

* Share price on vesting was £17.38 and there were \$1.28806 to £1.

LTIP

During 2017, the final award vested under the Long Term Incentive Plan ('LTIP'). Further details regarding the operation of the LTIP can be found in the 2012 report and accounts on pages 97 to 99 or on request from cosec@hikma.uk.com. The LTIP amount included in the 2017 single total figure of remuneration is the conditional share award granted in 2014. The performance achieved against the performance targets is shown below.

| Condition | | Requirements | | Practice | |
|----------------------------|-----------|---|--|------------------------|---------------------------|
| Description | Weighting | Threshold | Maximum | Actual performance | Award vested % of maximum |
| TSR* | 50% | 50th percentile 20% of award element | 75th percentile 100% of award element | 94th percentile | 100% |
| Sales growth | 17% | 9% 20% of award element | 13% 100% of award element | 13% | 97% |
| EPS growth | 17% | 15% 20% of award element | 20% 100% of award element | -5% | 0% |
| Return on invested capital | 17% | 10% 20% of award element | 12% 100% of award element | 17% | 100% |

* TSR is total shareholder return comparative performance against the Company's Comparator Group.

Executive Chairman– LTIP

| Financial performance | | | | |
|---|---|--------------|------------|----------------------------|
| Performance condition | TSR | Sales growth | EPS growth | Return on invested capital |
| Maximum number of shares capable of vesting | 31,500 | 10,500 | 10,500 | 10,500 |
| Percentage of maximum vesting | 100% | 97% | 0% | 100% |
| Number of vested shares | 31,500 | 10,164 | 0 | 10,500 |
| Value of vested shares* | £531,720 | £171,567 | £0 | £177,240 |
| Total value | £880,527 (\$1,130,724) | | | |

* Share price on LTIP vesting was £16.88 and there were \$1.28393 to £1.

Executive Vice Chairman – LTIP

| Financial performance | | | | |
|---|---------------------------------------|--------------|------------|----------------------------|
| Performance condition | TSR | Sales growth | EPS growth | Return on invested capital |
| Maximum number of shares capable of vesting | 23,000 | 7,667 | 7,667 | 7,667 |
| Percentage of maximum vesting | 100% | 97% | 0% | 100% |
| Number of vested shares | 23,000 | 7,421 | 0 | 7,667 |
| Value of vested shares* | £388,240 | £125,268 | £0 | £129,419 |
| Total value | £642,927 (\$825,608) | | | |

* Share price on LTIP vesting was £16.88 and there were \$1.28393 to £1.

Remuneration Committee continued

2017 Performance outcome: Executive Chairman (role of Chairman and Chief Executive during 2017)

The following table sets out the performance conditions and targets for 2017 and their level of satisfaction:

| Performance Condition | | |
|-----------------------|------------------------------|---|
| Section | Description | Measurement |
| Financial | Profit Before Tax | Target Core Profit Before Tax compared to audited Core Profit Before Tax for the year ended 31 December 2017. |
| | Group Revenue | Target Group Revenue compared to audited Core Group Revenue for the year ended 31 December 2017. |
| Strategic | Return on Investment | Enhance profitability by delivering on the opportunities from the capital investment in the product pipelines and manufacturing facilities. Measured by Return on Invested Capital. |
| | Product Capability | Delivering the capability to manufacture or distribute identified additional products through targeted research and development activities and the acquisition of product files and licences. |
| | Group Structure Optimisation | Reorganise the group to ensure that it is best placed to deliver the board-approved, medium-term strategic objectives and business plan. |

Total



| Weighting | Forfeiture | Performance Level | | | Results | Achievement | | Application |
|-----------|---|--|---|---|--|---|------------------|-------------|
| | | Threshold | Target | Max | | Achievement | Said % of salary | |
| 30% | Target -30% \$252m | Target -10% \$324m | Target \$360m | Target +10% \$396m | Core PBT of \$328m | Threshold to Target | 35.0% of salary | |
| 30% | Target -30% \$1,463m without GxA or \$1,544m with GxA | Target -10% \$1,881m without GxA or \$1,985m with GxA | Target \$2,090m without GxA or \$2,205m with GxA | Target +10% \$2,299m without GxA or \$2,426m with GxA | Group Revenue of \$1,936m | Threshold to Target | 41.8% of salary | |
| 20% | Target -50% 6% | Target -20% 10% | Target 12% | Target +20% 14% | ROIC of 9.89% | Below Threshold | 0.0% of salary | |
| 10% | Zero increase in product capability | Injectables: – 8 product tech transfer – 5 submissions of new molecules Orals: 4 new submissions | Injectables: – 12 product tech transfer – 6 submissions of new molecules Orals: 5 new submissions | Injectables: – 15 product tech transfer – 7 submissions of new molecules Orals: 6 new submissions | Key product not delivered. However: – 17 Injectables transfers – 7 Injectables submissions – 1 Generics submissions | – Below Threshold determined by the Committee | 0.0% of salary | |
| 10% | Non-aligned structure and strategy | Partially aligned structure and strategy | Aligned structure and strategy | Optimised structure and strategy | Changes to structure during the year were deemed insufficient – Global roles for supply chain and R&D – Clarified divisional structure in US | – Below Threshold determined by the Committee | 0.0% of salary | |
| | | Unacceptable | Acceptable | Good | Excellent | 76.8% | | |

The Chairman has waived his right to performance remuneration in respect of the year ended 31 December 2017:

| Participant | | | Calculation | | Receive | | |
|------------------------------|-------------|-------------|---------------------------------|-------------|-----------------------|-----------------------------------|---------------------------------|
| Executive | EIP Element | Salary | Maximum potential (% of salary) | Achievement | Value of bonus/shares | Receive | Notes |
| Chairman and Chief Executive | A | \$1,273,080 | 150% | 25.9% | \$0 | Cash now (March 2018) | Performance remuneration waived |
| | B | | 150% | 25.9% | \$0 | Shares in 2 years from March 2018 | |
| | C | | 100% | 30.0% | \$0 | Shares in 3 years from March 2018 | |

The information in the table above has been audited by PwC.

Remuneration Committee continued

2017 Performance outcome: Executive Vice Chairman

| Performance Condition | | |
|-----------------------|---|--|
| Section | Description | Measurement |
| Financial | Profit Before Tax | Target Core Profit Before Tax compared to audited Core Profit Before Tax for the year ended 31 December 2017. |
| | Group Revenue | Target Group Revenue compared to audited Core Group Revenue for the year ended 31 December 2017. |
| | MENA Profit Before Tax | Target MENA Profit Before Tax compared to audited MENA Core Profit Before Tax for the year ended 31 December 2017. |
| | MENA Revenue | Target MENA Revenue compared to audited MENA revenue for the year ended 31 December 2017. |
| Strategic | Emerging Markets | Initiate revenue generation in Emerging Markets before year ended 31 December 2017. |
| | MENA Structure Optimisation | Reorganise the structure of the MENA division to ensure it is best positioned for growth and margin improvements. Ensure internal development for the MENA management team by end of 2017. |
| | Strategic Partnerships/ Product Capability | Expand product capability through the execution of strategic partnerships and licensing agreements. |

Total



| | Performance Level | | | | Achievement | | Application | |
|--|-------------------|--|--|--|--|--|---|-------------------|
| | Weighting | Forfeiture | Threshold | Target | Max | Results | Achievement | Mazen % of salary |
| | 20% | Target -30% \$252m | Target -10% \$324m | Target \$360m | Target +10% \$396m | Core PBT of \$328m | Threshold to Target | 23.2% of salary |
| | 20% | Target -30% \$1,463m | Target -10% \$1,881m | Target \$2,090m | Target +10% \$2,299m | Group Revenue of \$1,936m | Threshold to Target | 27.9% of salary |
| | 10% | Target -30% \$84m | Target -10% \$108m | Target \$120m | Target +10% \$132m | MENA Profit Before Tax of \$128m | Threshold to Target | 34.9% of salary |
| | 10% | Target -30% \$466m | Target -10% \$599m | Target \$665m | Target +10% \$732m | MENA Revenue of \$639m | Threshold to Target | 19.0% of salary |
| | 10% | Target revenue less 40% | Target revenue less 20% | Target revenue achieved | Target revenue exceeded +20% | Threshold Revenue | Threshold determined by the Committee | 10.0% of salary |
| | 20% | Nil structural and development changes | Some structural and development changes | Structural and development changes are fully implemented | Structural and development changes lead to superior MENA performance | Structural and development changes deemed insufficient | Below Threshold determined by the Committee | 0.0% of salary |
| | 10% | Zero partnerships or licences are finalised by end of 2017 | One partnership or licence is finalised by end of 2017 | Two partnerships or licences are finalised by end of 2017 | Three partnerships or licences were finalised by end of 2017 | Five partnerships deemed strategically important | Target determined by the Committee. | 25.0% of salary |
| | | Unacceptable | Acceptable | Good | Excellent | | | 140.0% |

The Vice Chairman waived his right to potential performance remuneration from the Group Profit Before Tax and Group Revenue elements. Accordingly, the following awards will be made in respect of the 2017 performance year:

| Participant | | Calculation | | | Receive | | |
|--------------------------------|-------------|-------------|---------------------------------|----------------|-----------------------|-----------------------------------|---|
| Executive | EIP Element | Salary | Maximum potential (% of salary) | Achievement | Value of bonus/shares | Receive | Notes |
| Executive Vice Chairman | A | \$717,155 | 150% | 48.4% 32.8% | \$235,227 | Cash now (March 2018) | 50% of total shares unsaleable until five years after grant |
| | B | | 150% | 48.4% 32.8% | \$235,227 | Shares in 2 years from March 2018 | |
| | C | | 100% | 43.3% 23.3% | \$167,097 | Shares in 3 years from March 2018 | |

The information in the table above has been audited by PwC.

Remuneration Committee continued

The Company continued to operate the EIP in 2017. The outstanding share awards under the EIP in respect of each of the Executive Directors are:

| Participant | Share scheme | | | | Quantum | | |
|----------------|---------------------------------|-------------------|---------------|-----------------|----------------|--|--|
| Director | Scheme description ¹ | Type of interest | Date of award | Date of vesting | Basis of award | Shares (max) | Face value ² |
| Said Darwazah | EIP Element C | Conditional award | 15-May-15 | 15-May-18 | 100% salary | 27,000 | \$413,154 |
| | EIP Element B | Conditional award | 17-Mar-16 | 17-Mar-18 | 147% salary | 68,346 | \$1,045,830 |
| | EIP Element C | Conditional award | 17-Mar-16 | 17-Mar-19 | 97% salary | 45,100 | \$690,120 |
| | EIP Element B | Conditional award | 13-Apr-17 | 13-Apr-19 | 107% of salary | 60,973 | \$933,008 |
| | EIP Element C | Conditional award | 13-Apr-17 | 13-Apr-20 | 64% of salary | 36,438 | \$557,574 |
| Total | | | | | | 237,857 (2016: 244,446) | \$3,639,686 (2016: \$2,807,165) |
| Mazen Darwazah | EIP Element C | Conditional award | 15-May-15 | 15-May-18 | 100% salary | 20,000 | \$306,040 |
| | EIP Element B | Conditional award | 17-Mar-16 | 17-Mar-18 | 147% salary | 38,501 | \$589,142 |
| | EIP Element C | Conditional award | 17-Mar-16 | 17-Mar-19 | 97% salary | 25,406 | \$388,762 |
| | EIP Element B | Conditional award | 13-Apr-17 | 13-Apr-19 | 103% of salary | 33,005 | \$505,042 |
| | EIP Element C | Conditional award | 13-Apr-17 | 13-Apr-20 | 60% of salary | 19,318 | \$295,604 |
| Total | | | | | | 136,230 (2016: 159,907) | \$2,084,590 (2016: 2,057,810) |

- The performance criteria for Elements B and C of the EIP are assessed before a grant is considered. Additionally, Element B is subject to forfeiture criteria for the first two years after grant, which are detailed each year as part of the next year's EIP performance criteria on pages 100 to 103.
- The face value is calculated using the vesting percentages described earlier in this section and the closing share price of £11.34p and foreign exchange rates of \$1.34912 to £1 on 31 December 2017. The actual value received by Executive Directors under the share incentive arrangements is dependent upon the share price of Hikma at the time of exercise, the satisfaction of performance criteria and the non-occurrence of forfeiture events (EIP Element B).

The information in the table above has been audited by PwC.

The applicable share prices for Hikma during the period under review were:

| Date | Market price (Closing price) |
|--------------------------|---------------------------------|
| 1 January 2017 | 1,893p |
| 31 December 2017 | 1,134p |
| 2017 Range (low to high) | 2,300p to 950p |
| 13 March 2018 | 872p |



Dilution

In accordance with the guidelines set out by the Investment Association, Hikma can issue a maximum of 10% of its issued share capital in a rolling ten-year period to employees under all its share plans and a maximum of 50% of this (representing 5% of issued share capital) for discretionary share plans. The following table summarises the current level of dilution resulting from Company share plans since 2006:

| Type of plan | Granted in a rolling ten-year period | Granted during the year |
|--------------------------------------|--------------------------------------|-------------------------|
| Discretionary Share Plans (5% Limit) | 4.39% | 0.37% |

Director share interests

Said Darwazah, Mazen Darwazah and Ali Al-Husry are Directors and shareholders of Darhold Limited. Darhold holds 60,000,000 ordinary shares in Hikma. The table below breaks down their shareholdings in Hikma by shares effectively owned through Darhold and shares held personally, by HMS Holdings SAL or by connected people. The cancellation and issuance of shares in Darhold and Hikma, as well as changes in the number of Hikma shares held by Darhold can lead to a degree of variation in the 'Effective Hikma shares'.

| Director | Darhold | | Personal Shares (incl. connected people) | Total shareholding |
|-----------------|------------------------|---------------------------|---|-----------------------|
| | Interest in Darhold | Effective Hikma shares | | |
| Said Darwazah | 21.76% | 13,054,419 | 1,232,207 | 14,286,626 |
| Mazen Darwazah* | 10.96% | 6,577,199 | 1,414,713 | 7,991,912 |
| Ali Al-Husry** | 8.05% | 4,827,553 | 1,162,811 | 5,990,364 |

* Mazen Darwazah holds his shares in Darhold Limited through a family trust.

** Ali Al-Husry holds his shares in Hikma and Darhold Limited through a family trust.

The information in the table above has been audited by PwC.

The following table sets out details of the Directors' shareholdings and, where there are shareholding requirements, whether these have been met:

| Director | Ownership requirements | | | Total | EIP subject to performance (Element B) | EIP subject to service (Element C) | Total Share interests |
|-----------------------------|-------------------------|---------------------|---------------------------|-----------------|--|--|-----------------------------|
| | Percentage of salary | Number of shares | Requirement fulfilled? | Shares owned | | | |
| Said Darwazah | 300% | 249,591 | Yes | 14,286,626 | 129,319 | 108,538 | 14,524,483 |
| Mazen Darwazah ¹ | 300% | 140,600 | Yes | 7,991,912 | 71,506 | 64,724 | 8,128,142 |
| Ali Al-Husry ² | | | | 5,990,364 | | | 5,990,364 |
| Robert Pickering | | | | 10,000 | | | 10,000 |
| Dr Ronald Goode | | | | 12,000 | | | 12,000 |
| Pat Butler | | | | 3,875 | | | 3,875 |
| Dr Pamela Kirby | | | | 3,317 | | | 3,317 |
| Dr Jochen Gann ³ | | | | 0 | | | 0 |
| John Castellani | | | | 2,500 | | | 2,500 |
| Nina Henderson | | | | 3,500 | | | 3,500 |

1. Mazen Darwazah holds his shares in Darhold Limited through a family trust.

2. Ali Al-Husry holds his shares in Hikma and Darhold Limited through a family trust.

3. Dr Jochen Gann is senior executive in Boehringer Ingelheim who hold 40m (16.6%) shares in Hikma.

There have been no changes in the interests of the Directors in the shares of the Company between 31 December 2017 and the date of this report. The share price used to calculate whether the shareholding requirements have been met is the price on 31 December 2017 of £11.34p and foreign exchange rates of \$1.34912 to £1 on the same date.

The information in the table above has been audited by PwC.

Remuneration Committee continued

The following table sets out the changes in interests of Directors during the year under review and up to the date of this report. Directors not listed in the table did not change their share interests during the period.

| Director | Date | Event | No. Shares |
|----------------|---------------|--|------------|
| Nina Henderson | 24 April 2017 | Purchase of shares. | 3,500 |
| Said Darwazah | 15 May 2017 | Exercise of 2015 EIP Element B. Retained all shares. | 41,000 |
| Mazen Darwazah | 15 May 2017 | Exercise of 2015 EIP Element B. Retained all shares. | 30,000 |
| Said Darwazah | 30 May 2017 | Exercise of 2014 LTIP. Retained all shares. | 52,164 |
| Mazen Darwazah | 30 May 2017 | Exercise of 2014 LTIP. Retained all shares. | 38,088 |

The information in the table above has been audited by PwC.

Scheme interests

The following table sets out details of the 'scheme interests' of the Directors. The LTIP and Element B of the EIP have been included because they have performance periods of three years and one year plus a two-year forfeiture condition, respectively:

| Director | Type of interest | | Performance measures | | Vested but unexercised |
|---------------------|------------------|---------------|----------------------|---------|------------------------|
| | Shares | Share options | Yes | No | |
| Said Darwazah | 237,857 | – | 129,319 | 108,538 | – |
| Mazen Darwazah | 136,230 | – | 71,506 | 64,724 | – |
| All other directors | – | – | – | – | – |

Remuneration table

The following table sets out the total remuneration, including amounts vesting under short-term and long-term incentive plans, for each financial period in respect of the Directors holding the positions of Chief Executive and Executive Vice Chairman.

| Year | Said Darwazah – Executive Chairman (Chairman & Chief Executive during 2017) | | | Mazen Darwazah – Executive Vice Chairman | | |
|-------------|---|----------------|-----------------------|--|----------------|-----------------------|
| | Total | Bonus as % max | Share awards as % max | Total | Bonus as % max | Share awards as % max |
| 2017 | \$3,538,646 | 0% | 0% | \$2,795,833 | 22% | 22% |
| 2016 | \$6,308,238 | 71% | 68% | \$3,418,766 | 69% | 65% |
| 2015 | \$7,316,042 | 98% | 98% | \$4,465,386 | 98% | 98% |
| 2014 | \$5,056,255 | 100% | 70% | \$3,572,764 | 100% | 70% |
| 2013 | \$3,956,836 | 100% | 62% | \$2,646,280 | 100% | 47% |
| 2012 | \$3,296,000 | 80% | 50% | \$2,114,000 | 80% | 50% |
| 2011 | \$2,629,000 | 80% | 67% | \$1,748,000 | 80% | 67% |
| 2010 | \$1,965,000 | 100% | 49% | \$1,296,000 | 100% | 49% |
| 2009 | \$1,183,000 | 37% | 67% | \$797,000 | 37% | 67% |

Important note: The total figures for the financial years 2017 and 2016 are higher than would otherwise be the case due to a change of incentive plan. In accordance with the Regulations, the 2016 and 2017 totals include LTIPs vesting during the relevant period (which were granted three years before) and Element C of the EIP which was granted in respect of the relevant period. The Regulations require Element C to be treated in a similar way to the annual bonus, although it is an award of shares that will vest three years after grant. The final LTIP awards vested in 2017, after which point the totals in the above table will include Element C only.

Additional information: The 'Bonus as % max' column comprises cash under Element A of the EIP paid immediately. The 'Share awards as % max' column includes Element B of the EIP, shares that vest in two years from the date of grant and shares under Element C of the EIP, shares that vest in three years from the date of the grant.



Non-Executive Directors

The table below details the fees paid to Non-Executive Directors during the year under review and the prior year. Several Directors (marked *) joined, retired or changed roles during the periods and their fees have been pro-rated for time served in the relevant position:

| Name | Board position | 2017 | | | 2016 | | |
|------------------------------|------------------------------|-----------------------------|--|----------------|-----------------------------|---------------------------|----------------|
| | | Fee (all elements) £,000 | Taxable benefits ¹ £,000 | Total £,000 | Fee (all elements) £,000 | Taxable benefits £,000 | Total £,000 |
| Robert Pickering | Senior Independent Director | 101.0 | – | 101.0 | 101.0 | – | 101.0 |
| Pat Butler | Audit Committee Chair | 109.0 | – | 109.0 | 109.0 | – | 109.0 |
| Michael Ashton | Independent Director | 43.5 | – | 43.5 | 96.7 | 11.5 | 108.2 |
| Dr Ronald Goode ² | Independent Director | 98.7 | 8.4 | 107.1 | 101.0 | 10.7 | 111.7 |
| Dr Pamela Kirby | Remuneration Committee Chair | 101.0 | – | 101.0 | 97.3 | – | 97.3 |
| Breffi Byrne* | Independent Director | – | – | – | 34.9 | – | 34.9 |
| Ali Al-Husry | Non-Executive Director | 85.0 | 1.3 | 86.3 | 85.0 | – | 85.0 |
| Dr Jochen Gann* | Non-Executive Director | 85.0 | – | 85.0 | 70.8 | – | 70.8 |
| John Castellani* | CRE Committee Chair | 96.8 | 1.3 | 98.1 | 77.5 | 0.9 | 78.4 |
| Nina Henderson* ² | Independent Director | 116.3 | – | 116.3 | – | – | – |

1. 'Taxable benefits' includes certain accommodation expenses for Non-Executive Directors that are wholly related to their attendance at Board meetings and are in accordance with normal Hikma expense policy. These expenses may be treated as taxable benefits by the UK authorities and, where appropriate, the above figure includes the corresponding tax contribution.

2. Nina Henderson was due to receive fees of £23,300 for services during 2016. These fees were paid in 2017 and, in accordance with regulations, have been included in the 2017 table.

The information in the table above has been audited by PwC.

Payments to past Directors

There were no payments to past directors during the financial year. The information in this paragraph has been audited by PwC.

Payments for loss of office

There were no payments for loss of office during the financial year. The information in this paragraph has been audited by PwC.

Terms of appointment and service

Service contracts

The details of the service contracts of the Executive Directors of Hikma in force at the end of the year under review, which have not changed during the year and are available for inspection at the Company's registered office at 1 New Burlington Place, London W1S 2HR, were:

| Executive Director | Company notice period | Contract date | Unexpired term of contract | Potential termination payment |
|--------------------|-----------------------|------------------|----------------------------|--------------------------------|
| Said Darwazah | 12 months | 1 July 2007 | Rolling contract | 12 months' salary and benefits |
| Siggi Olafsson | 12 months | 20 February 2018 | Rolling contract | 12 months' salary and benefits |
| Mazen Darwazah | 12 months | 25 May 2006 | Rolling contract | 12 months' salary and benefits |

The Company complies with the UK Corporate Governance Code that all directors of FTSE 350 companies be subject to annual election by shareholders.

Remuneration Committee continued

Letters of appointment

The Non-Executive Directors have letters of appointment with Hikma, not service contracts and which are available for inspection at the Company's registered office at 1 New Burlington Place, London W1S 2HR. Appointments are made for a period of 36 months and then reviewed.

| Non-Executive Director | Date of appointment | Notice payment |
|------------------------|---------------------|----------------|
| Robert Pickering | 1 September 2011 | 1 month |
| Ali Al-Husry | 14 October 2005 | 1 month |
| Dr Ronald Goode | 12 December 2006 | 1 month |
| Pat Butler | 1 April 2014 | 1 month |
| Dr Pamela Kirby | 1 December 2014 | 1 month |
| Dr Jochen Gann | 29 February 2016 | 1 month |
| John Castellani | 1 March 2016 | 1 month |
| Nina Henderson | 1 October 2016 | 1 month |

The Company requires all Directors be subject to annual election by shareholders.

External appointments

The Committee recognises that Executive Directors may be invited to take up non-executive directorships or public sector and not-for-profit appointments, and that these can broaden the experience, network and knowledge of the Director, from which Hikma can benefit. Executive Directors may accept external appointments as long as they do not lead to a conflict of interest and are allowed to retain any fees. During the year under review, Said Darwazah and Mazen Darwazah received fees of \$4,100 (2016: \$28,000) and \$32,000 (2016: \$10,000) respectively relating to external appointments which are detailed in their Director profiles on page 70. The process for controlling these appointments is described in the governance statement on page 83.

Closing statement

We have continued to develop our approach to remuneration reporting this year and the Committee hopes that this has aided your understanding of our Remuneration Policy and practices. Please do not hesitate to contact me if you have any questions or observations.

For and on behalf of the Remuneration Committee



Dr Pamela Kirby
Chair of the Remuneration Committee
13 March 2018

Directors' report

Report of the Directors to shareholders and stakeholders

The Directors submit their report together with the audited financial statements for the year ended 31 December 2017. This report forms the management report for the purposes of the Disclosure and Transparency Rules. Readers are asked to cross refer to the other sections of the Annual Report to the extent necessary to meet Hikma's reporting obligations as follows (statements that are not applicable have been excluded):

- Likely future developments of the Group: Strategic report, pages 2 to 58
- Long-term incentive schemes: Directors' remuneration report, pages 98 to 104
- Related party transactions: Note 40 of the financial statements, page 167
- Going concern statement: Risk Management Report, page 65
- Names and biographical details of the Directors: corporate governance report, pages 70 and 71
- Independence of Non-Executive Directors: corporate governance report, page 74
- Directors' share interests: Directors' remuneration report, pages 105 and 106
- Greenhouse gas emissions: Sustainability report, page 56
- Financial instruments and risk: Notes 30 and 31 of the financial statements, pages 160 and 161

Principal activity

The principal activities of the Group are the development, manufacture and marketing of a broad range of generic, branded and in-licensed pharmaceutical products in solid, semi-solid, liquid and injectable final dosage forms. The Group's pharmaceutical operations are conducted through three business segments: Branded, Injectables and Generics. The majority of the Group's operations are in the MENA region, the US and Europe. The Company does not have overseas branches within the meaning of the Companies Act 2006 (the 'Act').

The Group's net sales, gross profit and operating profit are shown by business segment in Note 4 to the consolidated financial statements on pages 137 and 138.

Results

The Group's reported loss for the year in 2017 was \$(839) million (2016: Profit of \$158 million).

Dividend

The Board is recommending a final dividend of 23 cents per share (approximately 16 pence) (2016: 22 cents). The proposed dividend will be paid on 24 May 2018 to shareholders on the register on 6 April 2018, subject to approval at the Annual General Meeting ('AGM') on 18 May 2018. An interim dividend of 11 cents per share was paid on 22 September 2017 (2016: 11 cents). The total dividend for the year 2017 is 34.0 cents per share (2016: 33.0 cents).

Creditor payment policy

Hikma's policy, which is also applied by the Group and will continue in respect of the 2018 financial year, is to settle terms of payment with all suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of and abide by the terms of payment. Trade creditors of Hikma at 31 December 2017 were equivalent to 82 days' purchases (2016: 65 days), based on the average daily amount invoiced by suppliers during the year.

Donations

During the year the Group made charitable donations of approximately \$3.2 million (2016: \$2.3 million):

| Type of donation | Amount donated in 2016 (\$) | Amount donated in 2017 (\$) |
|---|-----------------------------|-----------------------------|
| Local charities serving communities in which the Group operates | 1,611,657 | 1,441,861 |
| Medical (donations in kind) | 665,851 | 1,780,625 |
| Political donations and expenditure | Nil | Nil |
| Total | 2,277,508 | 3,222,486 |

Group policy prohibits the payment of political donations and expenditure within the meaning of the Act.

Research and development

The Group's investment in research and development (R&D) during 2017 represented 6.3% of Group revenue (2016: 7.7%). Further details on the Group's R&D activities can be found on page 41.

Interest

The interest capitalised during the year under review was \$0.3m (2016: \$0.3m). The tax impact related to the capitalised interest was \$Nil (2016: \$0.1m).

Significant contracts

Due to the nature of the Group's business, members of the Group are party to agreements that could alter or be terminated upon a change of control of the Group following a takeover. However, none of these agreements is individually deemed to be significant in terms of its potential impact on the business of the Group taken as a whole. The Directors are not aware of any agreements between Hikma and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid, other than as follows. The Company had an agreement with one senior executive, below Board level, which allows for compensation for loss of office with an estimated value of \$10.3m, based on share and foreign exchange values on 31 December 2017. During early 2018, this agreement became obsolete.

There are no persons, with whom Hikma has contractual or other arrangements, who are deemed to be essential to the business of Hikma.

Directors

It is the Board's policy that all Directors should retire and, should the Director wish to continue in office seek election or re-election on an annual basis. Accordingly, Said Darwazah, Siggí Olafsson, Mazen Darwazah, Robert Pickering, Ali Al-Husry, Patrick Butler, Dr Pamela Kirby, Dr Jochen Gann, John Castellani and Nina Henderson will seek election or re-election as appropriate at the AGM. Dr Ronald Goode will retire from the Board at the close of the AGM.

Indemnities and insurance

Hikma maintains an appropriate level of Directors' and Officers' insurance. The Directors benefit from qualifying third-party indemnities made by Hikma that were in force during the year and as at the date of this report. These indemnities are uncapped in amount in relation to losses and liabilities which Directors may incur to third parties in the course of the performance of their duties.

Auditors

Each person who was a Director of Hikma at the date when this report was approved confirms that:

- so far as the Director is aware, there is no relevant audit information of which Hikma's auditors are unaware
- the Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that Hikma's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Employment

During this year, the Company continued to operate its existing employee engagement mechanisms which include intra-group communications, social networking, an open door policy for legitimate union representatives and the operation of share incentive arrangements. The Company does not discriminate against a potential employee on grounds of disability and will make reasonable adjustments to employ and develop such persons.

Equity

Capital structure

Details of the issued share capital, together with movements in the issued share capital during the year, can be found in Note 33 to the financial statements. Hikma has one class of ordinary shares of 10 pence each ('Shares') which carries no right to fixed income. Each share carries the right to one vote at general meetings of Hikma. As at 31 December 2017:

| Type | Nominal value | In issue | Issued during the year |
|----------|---------------|-------------|------------------------|
| Ordinary | 10 pence | 240,678,894 | 724,362 |

During 2017, Hikma issued ordinary shares solely pursuant to the exercise of options under the 2005 Long Term Incentive Plan, 2009 Management Incentive Plan and 2014 Executive Incentive Plan.

There are no specific restrictions on the size of a holding or on the transfer of Shares, which are both governed by the general provisions of Hikma's Articles of Association (the 'Articles') and prevailing legislation.

Other than the shareholder agreement between Boehringer Ingelheim ('BI') and Hikma (the 'Agreement'), the Directors are not aware of any agreements between holders of Hikma's Shares that may have resulted in restrictions on the transfer of securities or on voting rights. The Agreement restricts BI's voting rights to 28,500,000 Shares as long as it holds shares in excess of this level and the onward transfer of Shares, as disclosed in the combined Prospectus and Circular posted to shareholders on 21 January 2016. No person has any special rights with regard to the control of Hikma's share capital and all issued Shares are fully paid. Hikma has not placed any Shares into treasury during the period under review.

Share buy-back

At the Annual General Meeting ('AGM') on 18 May 2017, shareholders gave the Directors authority to purchase Shares from the market up to an amount equal to 10% of Hikma's issued share capital at that time. This authority expires at the earlier of 30 June 2018 or the 2018 AGM, which is scheduled for 18 May 2018. The Directors have not used this authority during the year, but are proposing to renew this authority at the 2018 AGM. Additionally, at the Extraordinary General Meeting held on 19 February 2016, shareholders gave the Directors authority to re-purchase Shares from BI that were issued in respect of the West-Ward Columbus acquisition. This authority expires on 22 January 2021.

Share issuance

At the AGM on 19 May 2017, the Directors were authorised to issue relevant securities up to an aggregate nominal amount of £7,999,293 and to be empowered to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £1,199,894 at any time up to the earlier of the date of the 2018 AGM or 30 June 2018. The Directors propose to renew these authorities at the 2018 AGM for a further year. In the year ahead, other than in respect of Hikma's obligations to satisfy rights granted to employees under its various share-based incentive arrangements, the Directors have no present intention of issuing any additional share capital of Hikma.

Details of the employee share schemes are set out in Note 38 to the financial statements. Shares are also held by the Hikma Pharmaceuticals Employee Benefit Trust ('EBT') and are detailed in Note 35 to the financial statements. The EBT has waived its right to vote on the Shares it holds and also to its entitlement to a dividend. No other shareholder has waived the right to a dividend.

Annual General Meeting

The AGM of Hikma will be held at Sofitel St James, 6 Waterloo Place, London SW1Y 4AN on Friday, 18 May 2018, starting at 10.00 a.m. The Notice convening the meeting is given in a separate document accompanying this document, and includes a commentary on the business of the AGM, and notes to help shareholders exercise their rights at the meeting.

The Company provides for the vote on each resolution to be by poll rather than by show of hands. This provides for greater transparency and allows the votes of all shareholders to be counted, including those cast by proxy. The level of proxies lodged for each resolution is projected onto a screen as each resolution is put to the meeting. A 'vote withheld' explanation is included on the proxy cards.

The powers of the Directors are determined by the Articles, the UK Code and other relevant UK legislation. The Articles give the Directors the power to appoint and remove Directors. The power to issue and allot Shares contained in the Articles is subject to shareholder approval at each AGM. The Articles, which are available on the website, may only be amended by special resolution of the shareholders.

Substantial shareholdings

As at the date of this document, Hikma had been notified pursuant to sections 89A to 89L of the Financial Services and Markets Act 2000 and Rule 5 of the Disclosure and Transparency Rules of the UKLA of the following interests in the voting rights attaching to the share capital of Hikma:

| Name of shareholder | Number of shares | Percentage held |
|--|------------------|-----------------|
| Darhold Limited ¹ | 60,000,000 | 24.9% |
| Boehringer Ingelheim GmbH ² | 40,000,000 | 16.6% |
| Capital Group International | 25,950,451 | 10.8% |
| Fidelity International | 9,791,950 | 4.1% |
| Vanguard Healthcare Fund | 7,284,981 | 3.0% |

1. Said Darwazah, Mazen Darwazah and Ali Al-Husry, each being a Director and shareholder of Hikma, are shareholders and non-executive directors of Darhold Limited. See page 105 for details of their holdings in Darhold Limited.

2. Dr Jochen Gann is a Director of Hikma and a senior executive of Boehringer Ingelheim GmbH.

There have been no changes in substantial shareholdings since the year-end.

Pre-emptive issue of shares

During the year under review, and in the period since the date of Hikma's Initial Public Offering on 1 November 2005, Hikma did not issue any ordinary shares pursuant to an authority given by shareholders at an AGM to issue ordinary shares for cash on a non pre-emptive basis, other than in respect of the placing undertaken on 17 January 2008.

Post balance sheet events

There have been no significant post balance sheet events.

Directors' responsibility statement

Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations. Company law requires the Directors to prepare financial statements for each financial year.

Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under FRS 101 'Reduced Disclosure Framework' and applicable law. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for protecting shareholder investments and safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

On behalf of the Board



Said Darwazah
Executive Chairman
13 March 2018



Mazen Darwazah
Executive Vice Chairman
13 March 2018