Strategic Report

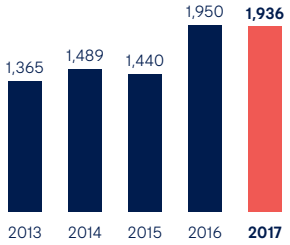
Who we are

Hikma puts better health within reach, every day. We create high-quality medicines and make them accessible to people who need them. Global experts with a local presence, we think creatively and act practically, transforming cutting-edge science into innovative solutions that transform people's lives, for a healthier world wherever we are.

How we have performed

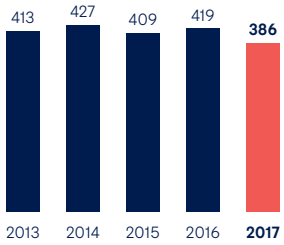
Revenue
($m)

$1,936m



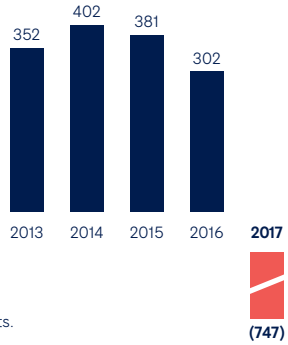
Core[1] operating profit
($m)

$386m



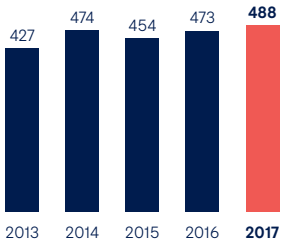
Reported operating profit/(loss)
($m)

$(747)m



Reported EBITDA[2]
($m)

$488m



1. Core results are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 5 in the Notes to the Financial Statements.
2. Earnings before interest, tax, depreciation, amortisation and impairment charges.
3. Core basic earnings per share is reconciled to basic earnings per share in Note 13 in the Notes to the Financial Statements.

What's inside

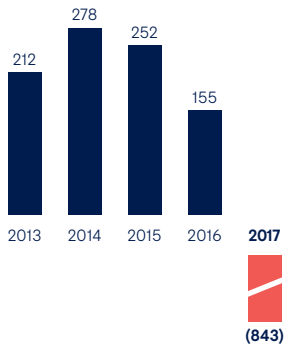
Strategic report

Corporate governance

Financial statements

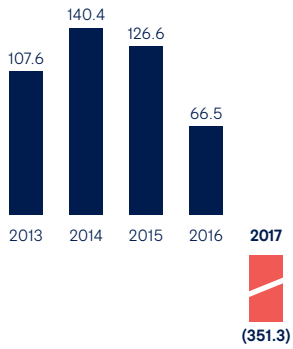
Profit/(loss) to Shareholders
($m)

$(843)m



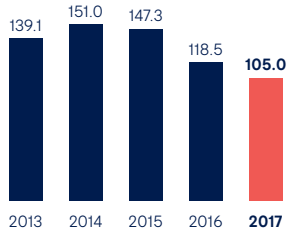
Basic earnings/(loss) per share
(cents)

(351.3)c



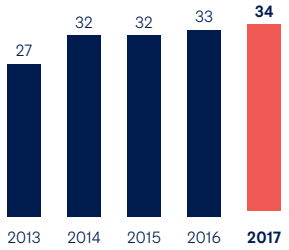
Core basic earnings per share[3]
(cents)

105.0c



Dividend per share
(cents)

34c



See the Group performance on page 40

Shareholder information

Read more content online
www.hikma.com

hikma.

What we do

We develop, manufacture and market a broad range of branded and non-branded generic pharmaceutical products across the US, the Middle East and North Africa (MENA) and Europe. We are also a leading licensing partner in MENA.

Our markets

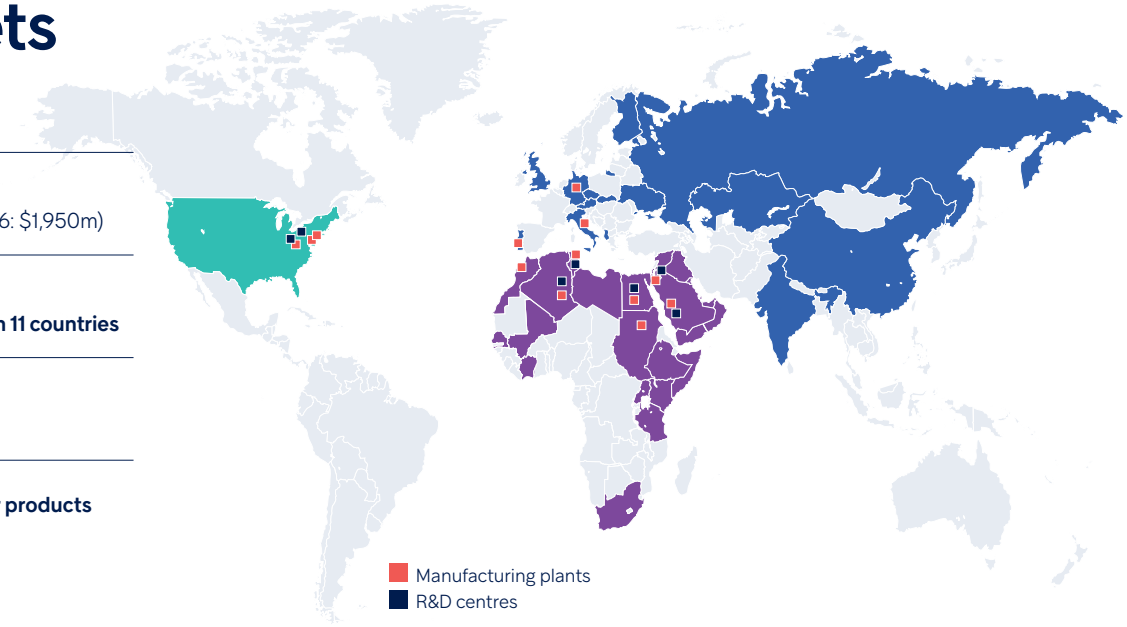
Group Revenue

$1,936m (2016: $1,950m)

29 manufacturing plants in 11 countries

7 R&D centres

>50 markets where our products are sold



Our operations

Injectables

Our Injectables business manufactures, markets and sells generic injectable products globally, with state-of-the-art manufacturing facilities in the US and Europe.

Key highlights

- Third largest manufacturer of injectable generics in the US market by volume
- A range of manufacturing capabilities, including sterile liquid, powder, lyophilised and cytotoxic products, in a broad range of forms, including vials, ampules, bags and prefilled syringes
- Broad product portfolio including controlled substances, anti-infective, cardiovascular and oncology products

Segmental revenue

$776m (2016: $781m)

For more information see page 29

United States

Our large manufacturing facilities – one for sterile injectables and two for non-injectables – supply products across a broad range of therapeutic areas, including respiratory, oncology and pain management. We also have two dedicated R&D facilities to support sustained growth.

62%
of Group revenue
(2016: 62%)

2,133
employees

MENA

We sell branded generics and in-licensed products across the region. We have local manufacturing facilities in seven markets, including FDA-approved facilities in Jordan and Saudi Arabia. More than 2,000 representatives market our brands to doctors and pharmacists across 17 markets.

33%
of Group revenue
(2016: 33%)

5,547
employees

Europe and the rest of the world

We have injectable manufacturing facilities in Germany, Italy and Portugal, with dedicated oncology and cephalosporin facilities. These facilities supply injectable products to the US and MENA and a growing number of markets in Europe.

5%
of Group revenue
(2016: 5%)

784
employees

Generics

Our Generics business develops and sells oral and other non-injectable generic products across the United States.

Key highlights

- Twelfth largest non-injectable generic manufacturer in the US market by volume
- State-of-the-art facilities with a broad range of capabilities, including oral solid dosage technologies, as well as dedicated respiratory, nasal spray, suspension, liquid solution and high-containment areas
- Lower-cost US FDA-approved facilities in Jordan and Saudi Arabia supplying the US market

Segmental revenue

$615m (2016: $604m)

For more information see page 33

Branded

Our Branded business develops and sells generics, branded generics and in-licensed patented products across the MENA region and other emerging markets.

Key highlights

- Leading pharmaceutical manufacturer in the MENA with operations in 17 markets
- Partnership agreements with leading multinational pharmaceutical companies
- Strong anti-infective franchise and growing market presence in chronic therapeutic areas

Segmental revenue

$536m (2016: $556m)

For more information see page 37

Chairman and Chief Executive's statement

'Whilst 2017 was a challenging year for the Group as we faced significant headwinds in our US Generics business, we delivered a solid performance in our Branded and Injectable businesses and our balance sheet remains strong. I am confident in the prospects for the Group both in the short term and the long term.'

40 years of better health

2018 marks our 40th anniversary and gives us an important opportunity to reflect not only on our past successes and the millions of lives upon which we've had a positive impact, but also to ready ourselves for the future. We need to remain competitive in today's fast-changing environment, and the next four decades will no doubt require different things of us and our business – new ways of working, of innovating and of enabling more and more people to live healthy, productive lives. In this letter, I outline some of our recent challenges, but also our progress and some of the steps we are taking to achieve our ambitious goals.

A challenging year

2017 was a challenging year. With more than 62% of our revenues now generated in the US, we are increasingly impacted by the changing dynamics of the US market. The consolidation of our customers and the increase in the pace of ANDA approvals by the FDA have led to more significant price erosion and more intense competition than the industry has seen in recent years and than we anticipated. This had a material impact on our results in 2017 and, in particular, on our West-Ward Columbus business, which was further impacted by the delay in approval of our ANDA for our generic version of Advair Diskus®.

As a result of these many headwinds, we have had to re-evaluate the potential of the West-Ward Columbus product portfolio and R&D pipeline, which we now believe will deliver less than we anticipated at the time of the acquisition in February 2016. As a result, we are taking an impairment charge of $1,084 million to reflect our updated view of the fair value of this business.

Across our other businesses, we delivered a solid performance. Our Injectables business was resilient, maintaining exceptionally strong margins despite new competitors for our top products and benefiting from our strong market position in the US hospital segment. Revenue and profitability in our Branded business remained stable and we reinforced our position as the partner of choice in the MENA region, signing new licensing agreements.

Overall, the Group delivered revenue of $1.9 billion and core operating profit of $386 million, down from $419 million last year. We generated record cash flow from operations of $443 million, lowering our net debt and strengthening our balance sheet, which remains one of the strongest in the industry.

Transforming our business

To ensure we can continue to overcome obstacles and deliver growth, we are making some transformational changes across our organisation. We have strengthened our leadership team in the US, bringing in new heads of research and development, sales and marketing, business development and a new plant manager. We have a newly-appointed Chief Scientific Officer and we have started the rollout of our new brand.

As part of this transformation, we recently announced the appointment of Siggi Olafsson as Chief Executive Officer. Siggi is an exceptional leader with extensive experience in the industry. He is the right person to take the business to the next level.

Progress and recognition

Despite the challenges we faced in 2017, it was also a year of progress and recognition. In the MENA region, we continue to be the partner of choice for leading biotech and pharmaceutical companies looking to expand into the region.

In 2017, we expanded our long-standing relationship with Takeda, and likewise broadened our partnership with Celltrion, the Korean biopharmaceutical company, to distribute select products in the region. Our venture capital arm, Hikma Ventures, took us into exciting new businesses in the areas of artificial intelligence, biosensor technology and online healthcare.

The Institute of Directors in London ranked Hikma first among the FTSE100 pharmaceutical companies for corporate governance (17th overall in the FTSE100). We were also awarded 'Company of the Year' by the trade publication Generics Bulletin, and are proud to remain a constituent of the FTSE4Good. Investing in our communities and improving access to medicine has been a long-established principle of this company since its founding day, and we continue to support the many communities in which we live and work with donations, fundraising and volunteering.

Enabling collaboration

People have always been at the heart of our business – the people we employ and the people whose lives we improve through the medicines we make. In addition to bolstering our leadership, we put in place a new human capital management system and new global intranet to help colleagues work faster, more collaboratively and have access to better information. Our successful pilot of the Hikma Young Professionals programme in Jordan, a two-year rotational programme developed for high-potential and high-performing recent graduates, was expanded across our global network. It aims to attract talented individuals and instill in them Hikma leadership values through a series of rotations in finance, operations and commercial roles.

Bringing together all we've learned in the past 40 years, and with our new talent, technologies and expertise, we will continue to deliver on our purpose of providing quality affordable medicines to people who need them."

Last year, we said goodbye to Mike Raya who led and grew our US business for more than 20 years. In his career at Hikma, Mike showed great leadership and commitment in the many different roles he held, across operations, quality and ultimately as CEO of the US business. While Mike will be missed, he leaves a strong team behind in the US, bolstered by several new leaders who I know will help carry on Mike's legacy.

Value for shareholders

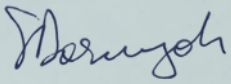
We have a strong track record of delivering value for shareholders. Since Hikma listed on the London Stock Exchange in 2005, we have delivered a total shareholder return of 361%. This exceeds the FTSE250 and FTSE Pharmaceuticals indices. In 2017, however, the challenges we faced in the US had a material impact on our share price, which closed the year at 1,134p, down from 1,893p on 31 December 2016. I am confident that the transformational changes we are making across the Group will enable us to deliver positive returns to shareholders in the near term.

Looking ahead

As we look ahead to 2018, I expect we will continue to be impacted by the challenges facing our industry. I am confident that our new leadership and our strategy built on five growth pillars will enable us to meet these challenges head on. In 2018, we are also implementing a single enterprise brand strategy that will bring the entire family of Hikma companies under a revitalised and more relevant Hikma brand. We expect this investment in a new brand to be a catalyst for change within our organisation, helping to drive efficiencies and improving engagement with customers and employees. You can read more about our new brand in this report and on our website, hikma.com.

I will end where I started, which is to emphasise my optimism and confidence of the future of this business, particularly with the introduction of our new CEO, Siggi Olafsson, earlier this year.

Thank you to my colleagues across the Hikma family for your hard work, loyalty and integrity.



Said Darwazah
Chairman

A strong investment case

Our broad product portfolio, extensive manufacturing capabilities and clear strategy for growth offer a strong investment case.

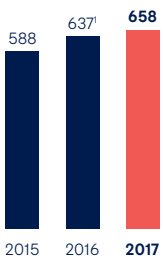
Creating long-term sustainable value

Broad global portfolio across diverse markets

Our portfolio of more than 650 compounds, available in thousands of strengths and dosage forms, makes us a leader in key markets.

Compounds on the market

658



1. In 2016, we overstated the total number of marketed compounds by 70. The correct number was 637.

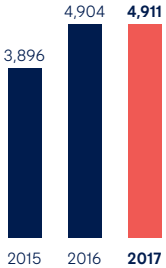
High-quality and efficient global manufacturing operations

We operate a network of high-quality and efficient manufacturing facilities, the majority of which are EU or FDA-approved. As a result of our continued investment in our manufacturing network, we have the capability and capacity to capture new market opportunities.

At Hikma, quality defines everything we do and we ensure it is consistently delivered in all the communities we serve. Our excellent track record of regulatory compliance has made us a trusted partner to our customers and patients.

Manufacturing employees

4,911



Established commercial capabilities

Our experienced teams in the US, the MENA region and Europe mean we can confidently navigate local challenges and capitalise on opportunities.

In the US, customer consolidation and increased competition has made it more important than ever to maintain strong customer relationships. We have strengthened our Generic and Injectable commercial teams to ensure that our business is able to respond to these challenges.

In the MENA region, we have a sales and marketing team of more than 2,000 people that support our position as the fifth largest pharmaceutical manufacturer. As a local player, we have extensive networks on the ground that enable us to perform well, even in times of political or economic instability.

Sales and marketing employees

2,123

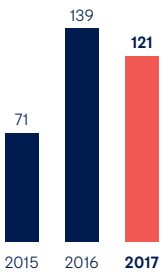
Specialised R&D teams and a large, differentiated pipeline

Through investment and strategic acquisitions, we have developed and strengthened our R&D capabilities to support sustainable long-term growth. We have dedicated and experienced R&D teams, with the ability to execute and replenish our large and growing product pipeline.

We have 224 compounds pending approval from global regulatory authorities and 147 compounds under active development. We have the expertise and resources to focus on more complex and differentiated products across a range of therapeutic categories, dosage forms and delivery systems.

R&D and product-related investment

$121m



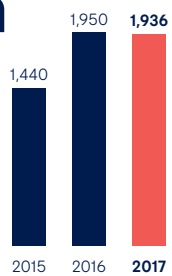
Experienced leadership and a strong financial position

Our experienced management teams have a history of growing the business. They have delivered this growth over time whilst ensuring, through a balance of organic growth and acquisitions, that we maintain a strong balance sheet. In an increasingly challenging environment, this has provided our business with stability and financial flexibility.

We continue to set ourselves ambitious targets for future growth, which will continue to be delivered through organic growth and further strategic acquisitions.

Revenue

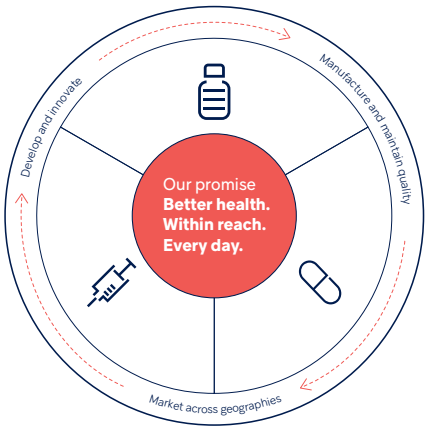
$1,936m



Our diversified business model

We have a business model that is diversified across business segments, regions and products. This provides both opportunities and resilience during challenging times.

For a full explanation of our business model, see page 22.



Better health. Within reach. Every day.

For our 40th anniversary, we are introducing a new brand built on the promise of putting better health within reach every day.

By creating high-quality products, and making them accessible to those who need them, we are helping to shape a healthier world that enhances all of our communities.

Our vision and values

Our vision is of a healthier world that enriches all of our communities. For the past 40 years, we've been guided by the simple belief that when world-class medicine is put within people's reach, it has the ability to transform their lives and their communities.

Today, we now have the reach, insight and expertise to transform so many more people's lives.

And in a fast-changing world, our commitment to our vision is as important as ever, not only for Hikma but also the millions of people we serve around the world.

We're building a world-class brand at Hikma. One with an inspiring promise, bold vision, distinctive personality, and a recognisable identity."

Quality without boundaries

For more information see page 46

Global expertise, local solutions

For more information see page 48

Practical creativity

For more information see page 50

Committed to people

For more information see page 52

For us, quality knows no boundaries

We've built our global reputation on bringing high-quality medicines to customers.

When we talk about quality, we're not simply talking about our products. We're talking about our people, our relationships, and our thinking.

Hikma in action

As well as adhering to the highest standards in everything we do, our customers and partners know they can rely on us to deliver it consistently, in all our markets.

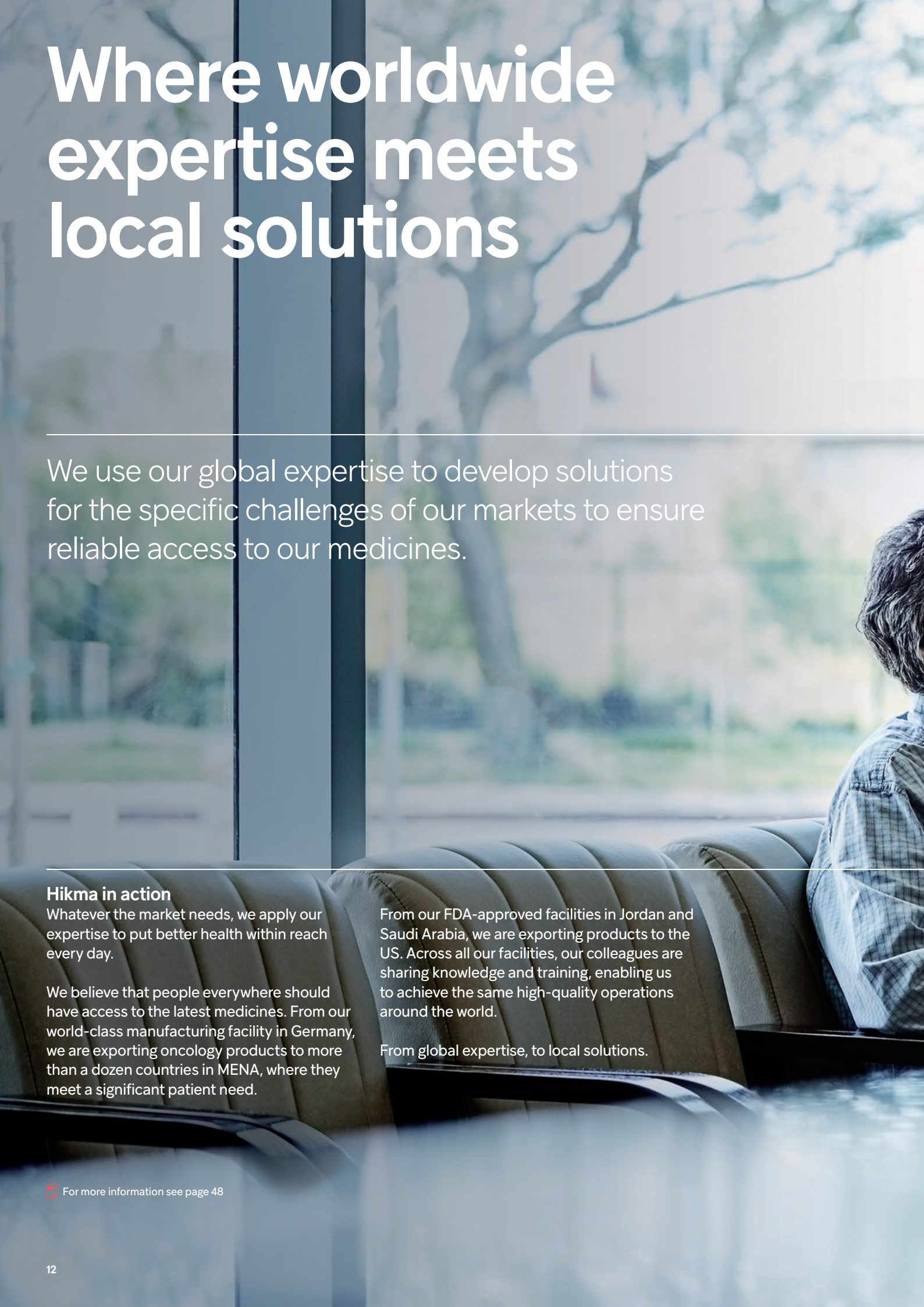
By working with strategic partners around the world, we not only strengthen our product portfolio, but also reinforce our commitment to providing access to important medicines for those who need them. Building on our long-standing partnership with Takeda, in 2017 we forged an agreement that gives us the right to register, manufacture, market, distribute and sell four of their leading primary care products in 17 markets in the MENA region. Our experienced sales and marketing teams, and expertise in promoting cardiovascular and diabetes treatments, make us perfectly positioned to help ensure that the right medicines are reaching the right people, in the right places.

For more information see page 46

Wherever you are in the world, and whatever your contact with Hikma, you can rely on us at every step."

Where worldwide expertise meets local solutions

We use our global expertise to develop solutions for the specific challenges of our markets to ensure reliable access to our medicines.



Hikma in action

Whatever the market needs, we apply our expertise to put better health within reach every day.

We believe that people everywhere should have access to the latest medicines. From our world-class manufacturing facility in Germany, we are exporting oncology products to more than a dozen countries in MENA, where they meet a significant patient need.

From our FDA-approved facilities in Jordan and Saudi Arabia, we are exporting products to the US. Across all our facilities, our colleagues are sharing knowledge and training, enabling us to achieve the same high-quality operations around the world.

From global expertise, to local solutions.

For more information see page 48

"In our connected world, we believe everyone should be able to benefit from breakthrough advances in medicine."

We think creatively and act practically

Our dedication to practicality, creativity and innovation comes through in the way we think and the way we work. We are always questioning and improving, because as the world changes and develops, there's always a better and more efficient way to make better health more accessible and affordable.

Hikma in action

From developing new dosing solutions to devising delivery mechanisms that simply work better, we use practical creativity to solve the many and varied challenges facing us and our customers and patients.

When our facility in Amman needed replacement parts for one of the blistering machines, a group of young Hikma employees used their initiative. Rather than ordering them from Italy, they decided to manufacture the parts using 3D printing technology.

By thinking creatively and exploring new technology, they demonstrated the capabilities of customisation and on-demand production, and substantially reduced the costs of the spare parts and machine down-time.

For more information see page 50

For us, innovation is a way of thinking and working, looking at new solutions to old problems."

A genuine commitment to people

Since its inception, our company has been dedicated to transforming people's lives by providing the medicine and support they need every day.

We feel a real duty of care towards everyone with whom we come into contact – the people who use our medicines, our customers, suppliers, employees and the wider community.

Hikma in action

We are working to improve medical awareness, health standards and access to medical care, everywhere we operate around the world. Our customers and suppliers know this and collaborate with us to put better health within everyone's reach.

Our commitment to people was recently recognised by the US FDA, who awarded us with a Drug Shortage Assistance Award for our role in alleviating shortages of Thiotepa for Injection and Phentolamine Mesylate for Injection. In 2014, when we acquired these products, they were in short supply. We transferred them to our FDA-compliant manufacturing facilities and expedited the submission of post-approval supplements to the FDA, before re-launching the products in 2015. And while we were pleased to be honoured with the award, we're even more delighted to know that these critical care products were able to reach the patients who needed them.

For more information see page 52

We're here to serve people – from those who use our medicines, to our customers, suppliers, employees and the wider community."

Our strategic approach

Our diversified business model enables us to compete successfully across our markets. Through our strategy for growth and focus on five strategic pillars, we are striving to deliver value to our shareholders whilst managing the risks inherent in our business.

Our markets

Demand for pharmaceuticals continues to grow across the markets in which we operate, while at the same time governments are working to make healthcare more accessible and more affordable.

Increased life expectancy

Better access to healthcare

Rise in chronic diseases

Competitive market dynamics

Constrained healthcare budgets

For a full explanation of our markets, see page 20.

Our diversified business model

We have a business model that is diversified across business segments, regions and products. This provides both opportunities and resilience during challenging times.

For a full explanation of our business model, see page 22.

Our growth strategy

Commercial excellence
Maximise the potential of our existing portfolio our across our markets

Productivity
Optimise operations and drive efficiencies

Research and innovation
Develop more complex and differentiated products and use innovative technologies to address doctor/patient needs

People
Ensure effective organisation, leadership, talent management and recruitment

Business development
Expand into new geographies; acquire new products, capabilities and technologies

For a full explanation of our strategy, see page 24.

Measuring our progress

Group revenue

$1,936m

Core operating profit

$386m

Product approvals

297

Product submissions

226

Products refer to dosage forms and strengths, across all markets.

Number of employees with length of service of more than five years

4,616

Return on invested capital

15.1%

Return on invested capital (ROIC) has increased due to the revaluation of the West-Ward Columbus business. Using the 2016 asset valuation, ROIC is 9.9%.

For a full explanation of our KPIs, see page 26.

Managing risks

- Industry earnings
- Product quality

- Industry earnings
- Product quality
- Supply chain and API sourcing

- Product pipeline
- Supply chain and API sourcing
- Industry earnings

- Organisational growth
- Reputation

- Inorganic growth

For a full explanation of our risks, see page 58.

Our markets

Strong demand for high-quality, affordable generics is expected to increase as governments look for cost effective ways to manage their healthcare budgets.

Global generics market

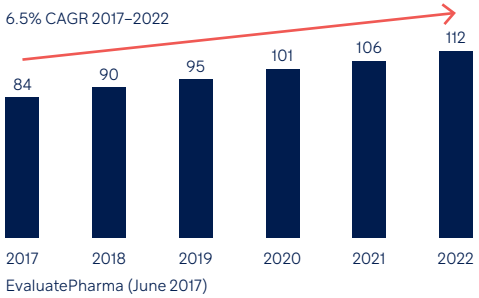
The global generic prescription market is expected to reach $112 billion by 2022.[1]

The global pharmaceutical market has been impacted by key trends in recent years, including buying consolidation, macroeconomic instability in key markets and reduced government healthcare budgets. These changing dynamics are creating opportunities for generic pharmaceutical companies, as the need for more affordable healthcare solutions is driving an increase in generic penetration.

Key drivers

- Scientific advances and improved access to healthcare are contributing to a rise in life expectancy and an expanding older population. According to United Nations' projections, the world's population is expected to grow by more than two billion people in the next 30 years, with the number of individuals aged 60 and above expected to double to more than two billion people.[2]
- Changes in lifestyle are contributing to a rise in chronic diseases, particularly cancer, respiratory and cardiovascular diseases. By 2020, it is expected that 50% of global healthcare expenditure will be directed at these therapeutic areas.[3]
- Most governments are now focused on tightly managing their healthcare budgets. As a result, generic market share continues to grow as generic substitution is increasingly encouraged. This trend is expected to continue. By 2022, generic prescription drug sales are expected to reach $112 billion.[4]

Worldwide generic prescription drug sales (2017–2022)



EvaluatePharma (June 2017)

$112 billion
by 2022
expected size of the global generic prescription market

6.5%[5]
CAGR
expected market growth (2017-2022)

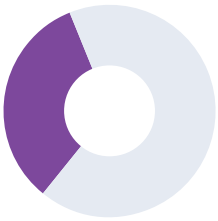
Our markets

US

62%
of Group revenue (2016: 62%)

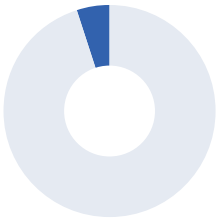
MENA

33%
of Group revenue (2016: 33%)



Europe and ROW

5%
of Group revenue (2016: 5%)



1. EvaluatePharma (June 2017)
2. United Nations (June 2017)
3. Deloitte (October 2016)
4. EvaluatePharma (June 2017)
5. EvaluatePharma (June 2017)

Key trends shaping our markets	Our response
Despite recent pricing pressures, the US generics market remains the largest in the world — The US generics market is the largest in the world. Eighty-nine per cent of prescription medicines dispensed in the US are generic, accounting for 26 per cent of total drug costs.[6] — The pricing environment for generics in the US has become increasingly challenging with double-digit price erosion across the oral generics market in 2017 due to both cyclical and structural changes. — A higher rate of ANDA approvals for generic products is leading to increased competition. In 2017, 767 ANDAs were approved, 18% more than in 2016.[7] — At the same time, increased customer consolidation across the industry is putting pressure on manufacturers. In 2017, the three largest purchasing groups represent 90% of all generic purchases in the US.[8]	— **In this challenging environment, we are focused on optimising the potential of our product portfolio and driving cost savings across our US business. In 2017, we put in place a new management team to support these efforts.** — **To offset price erosion on our base portfolio, it is critical that we have a steady stream of new launches. In 2017, we undertook a detailed review of the pipeline to ensure we are focusing on products with the highest opportunity, whilst balancing the risk profile of the pipeline.**
Economic uncertainty has impacted growth in MENA markets but the fundamental growth drivers remain intact — In recent years, many markets in the MENA region have been impacted by economic and political instability. — Despite these challenges, the long-term growth outlook remains positive and there are signs of improvement. Currency fluctuations in our key markets, such as Egypt, are beginning to stabilise and oil prices are recovering. — In line with global trends, the ageing population in MENA is growing and lifestyles are changing. Diabetes is expected to be the fastest growing disease in the region, with cancer and cardiovascular diseases also forecast to grow rapidly.[9] — Governments are committed to improving access to healthcare. In our largest MENA market, the GCC, pharmaceutical expenditure is forecast to grow by around 66% between 2016 and 2021.[10]	— **Thanks to our experienced local management, operating teams and sales and marketing teams, we are successfully navigating the challenging market conditions in the MENA region.** — **In response to our patients' changing needs, we have developed a portfolio of products in chronic therapeutic categories.**
Demand for generics in European markets continues to grow steadily — In recent years, increased healthcare demand, driven primarily by new innovative drug launches, an ageing population and an increase in chronic illnesses, coupled with relatively weak economic growth, led to increased pressures on European healthcare budgets.[11] — Governments have adopted austerity measures and put in place cost containment policies to maintain sustainable healthcare budgets. These policies have impacted the generics industry by driving down prices. — At the same time, governments are encouraging an uptake of generic products, driving volumes higher. Generic products now make-up around 56% of dispensed medicines in the region. This is expected to grow to 70–80% by 2020.[12]	— **We are well positioned to capture growth opportunities in Europe, with injectable manufacturing facilities located in Germany, Italy and Portugal.** — **To strengthen our position as a pan-European player, we are increasing our product portfolio, focusing on the EU5 markets (Germany, France, Italy, Spain and the UK).**

6. Association for Accessible Medicines (2017)
7. IQVIA (February 2018)
8. IQVIA (February 2018)
9. PwC (2013)
10. BMI Research (July 2017)
11. Quintiles IMS (December 2016)
12. Medicines for Europe (2017)

Our business model

We operate in a competitive, highly regulated industry, across many markets. Our diversified business model enables us to respond to the many opportunities and challenges we face, whilst delivering value for our customers, patients, employees, shareholders and our wider communities.

Our inputs

Financial
Investment in R&D, manufacturing facilities and M&A enables us to expand our product portfolio, technical capabilities, geographic reach and manufacturing capacity.

People
We have a highly skilled, diverse and effective workforce. Through continuous training of our people and by hiring new talent, we secure our future development.

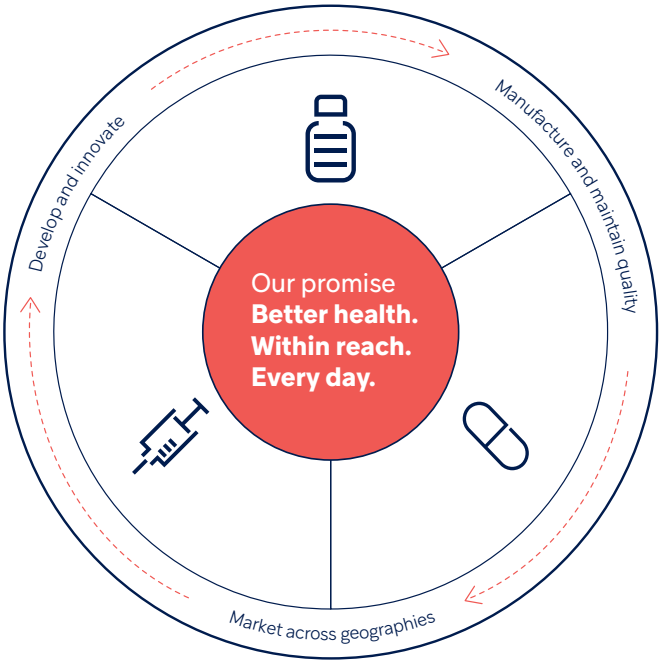
Values
We are committed to conducting business ethically and strive to achieve the highest quality standards. This approach helps ensure our business is sustainable.

Relationships
Strong relationships with regulators and health authorities across all our markets, and successful collaborations with industry partners, enable us to achieve our growth objectives.

Capabilities
We have extensive manufacturing capabilities across our global markets focused on operational excellence and efficiency.

Our activities

While our activities are diversified across our business segments and our markets, they are aligned with our purpose – to make quality medicines accessible to the people who need them.



Our business segments:

Injectables **Generics** **Branded**

Find out more about our strategy and key performance indicators
Strategy page 24
KPIs page 26

Find out more about how we are managing risk
Risk page 58

Develop and innovate

We are developing broad and differentiated portfolios of generic, branded generic and in-licensed products through internal R&D, co-development partnerships, licensing agreements and acquisitions.

6%
Revenue invested in R&D (2016: 7%)

Manufacture and maintain quality

We are committed to maintaining the highest quality standards in all of our manufacturing facilities. We have 29 plants across the Group that supply our global markets with a broad range of injectable and non-injectable products, including 12 US FDA-approved facilities and nine EU-approved facilities.

29
manufacturing plants

12
US FDA-approved facilities

9
EU-approved facilities

Market across geographies

We actively promote, sell and distribute our products in our markets through experienced sales and marketing teams. In the MENA region, nearly 2,000 representatives market our brands to doctors and pharmacists, while our sales teams in the US and Europe are selling to a broad range of customers including the leading wholesalers, pharmacy chains, governments and hospital purchasing organisations.

2,000+
sales professionals market our products across our markets

The value we create

Patient benefits

We provide our patients with access to our high-quality, affordable medicines.

658
Number of compounds

Employee benefits

By focusing on the empowerment and development of our people, we provide long and rewarding careers for our talented and diverse workforce.

>$1m
Investment in employees' education since 2010

Shareholder returns

Economic and financial returns are reinvested for future growth.

361%
Total shareholder return since IPO listing

Sustainable business

By conducting our business well and acting responsibly, we are benefiting the communities in which we operate.

340,000
Units of medicine donated in 2017

Delivering our strategy

Our 5-year strategy is to establish Hikma as a leader across our markets by providing best value to customers.

Strategic priorities	2017 highlights
1 Commercial excellence Maximise the potential of our existing portfolio across our markets	— Group revenue of $1,936 million — Leveraged broad Injectables portfolio and remained resilient in the face of new competition — Focused on building customer relationships and improving service levels in our Generics business — Launched eight new products in Saudi Arabia, including six first generics — Drove strong demand for higher value products in Egypt, delivering more than 20% revenue growth in local currency
2 Productivity Optimise operations and drive efficiencies	— Maintained Injectables operating margin above 40%, despite increased competition on key products — Initiated cost cutting programme and identified opportunities for further cost savings in our Generics business — Leveraged our manufacturing facilities in Sudan to meet increased demand for our marketed portfolio
3 Research and innovation Develop more complex and differentiated products and use innovative technologies to address doctor/patient needs	— Invested $121 million, or 6% of revenue, in R&D and product-related investments — 17 injectable compounds in 23 dosage forms and strength approved in the US, and eight new compound submissions in 11 dosage forms and strengths — 53 branded compounds in 126 dosage forms and strengths approved, and 42 new compound submissions in 127 dosage forms and strengths — Restructured Generics R&D team and implemented new product selection review and management process
4 People Ensure effective organisation, leadership, talent management and recruitment	— Strengthened management team across the Group through external recruitment and internal promotion — Undertook first global Employee Effectiveness Survey — Continued to develop leadership training and succession planning programmes — Initiated programmes to promote diversity across the Group
5 Business development Expand into new geographies, acquire new products, capabilities and technologies	— Invested in our manufacturing capacity and capabilities for our Injectable and Generics businesses — Expanded our partnership agreements with key partners, Celltrion and Takeda, reinforcing our position as partner of choice in MENA

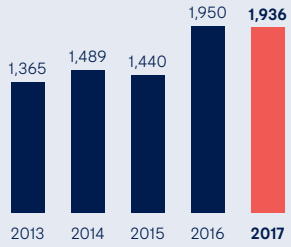
	2017 challenges	Outlook for 2018
	— Continued price erosion in the US generics market — Customer consolidation into larger buying groups — Accelerated FDA approval of ANDAs — Volatility in emerging market economies	— Challenging market conditions in the US expected to continue — Enhanced customer focus leading to market share gains — New launches across all our markets to help offset price and volume erosion
	— Increased demand for controlled drugs in the US led to supply pressures — Increased costs related to the development of generic Advair Diskus®	— Ongoing implementation of cost control programmes across the Group — Increased utilisation of lower-cost Injectables manufacturing facility in Portugal — Consolidation of Generics manufacturing and distribution facilities in the US — Development of new global systems and standardised processes
	— Product launch delays impacted our ability to offset price erosion — Received a CRL from the FDA for our generic version of Advair Diskus®, delaying potential approval and launch — Increasingly competitive dynamics in the US negatively impacted the potential of our Generics pipeline	— Appointed Group Chief Scientific Officer and Global Head of R&D — Continued focus on development of more differentiated products across our markets
	— Alignment of Group values and work practices across global organisation, following integration of West-Ward Columbus	— Appointed Siggi Olafsson as Chief Executive Officer — Continue roll-out of new Human Capital Management system — Address opportunities identified through Employee Effectiveness Survey
	— Focused capital investment on essential projects to maintain balance sheet strength — Limited opportunity for product acquisitions, reflecting increasingly competitive market dynamics	— Continue to evaluate investment opportunities in new and existing markets — Complete construction of dedicated oncology manufacturing facility in Portugal — Pursue acquisitions of new products and technologies to support strategic objectives

Measuring our progress

We are delivering our strategy through our five strategic priorities and measuring our performance with relevant key performance indicators (KPIs).

Group revenue
($m)

$1,936m



Description

Total annual revenue generated across all businesses within the Group

Why is it a KPI?

This measures our ability to extract value from our product portfolio across our global markets

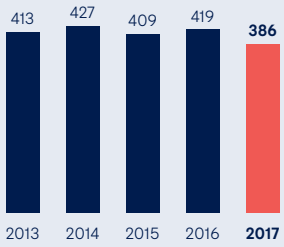
2017 performance

Group revenue decrease of 1% primarily due to price erosion in US generics industry and continued impact of currency headwinds in MENA

1 R

Core operating profit
($m)

$386m



Description

Core operating profit generated by the Group

Why is it a KPI?

This measures our ability to grow revenue, deliver efficiencies and ensure cost control, while maintaining high-quality manufacturing facilities

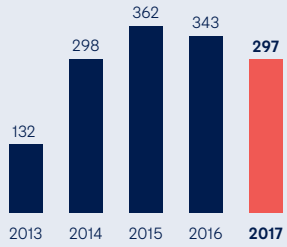
2017 performance

The decrease in core operating profit reflects challenging conditions in the US generics market and increased competition on certain injectable products

2 R

Product approvals

297



Description

The total number of products across the Group approved by regulatory authorities

Why is it a KPI?

This measures our ability to successfully execute our product pipeline across the Group

2017 performance

We maintained a steady pace of product approvals in our Injectables and Branded businesses, but Generic approvals were below target

3

Key to strategic priorities

1. Maximise the potential of our existing portfolio across our markets
2. Optimise operations and drive efficiencies
3. Develop more complex and differentiated products and use innovative technologies to address doctor/patient needs
4. Ensure effective organisation, leadership, talent management and recruitment
5. Expand into new geographies, acquire new products, capabilities and technologies

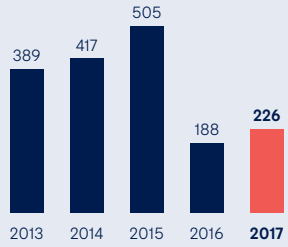
R Linked to Remuneration see page 86

Find out more about our strategy and key performance indicators
Strategy page 24

Find out more about how we are managing risk
Risk page 58

Product submissions

226



Description

The number of products submitted to regulatory authorities for approval across the Group

Why is it a KPI?

This measures our R&D capabilities in new product development across the Group

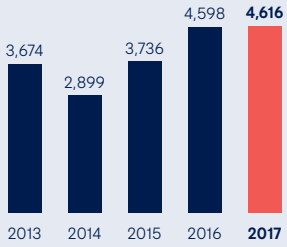
2017 performance

Increased submissions across our MENA markets more than offset lower submissions in our Generics business

3

Employees with more than five years' service

4,616



Description

The number of employees who have been employed by the Group for more than five years

Why is it a KPI?

This measures our ability to retain a talented workforce across the Group

2017 performance

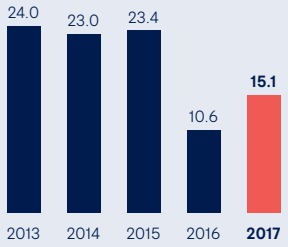
Slight improvement in number of employees with a length of service above five years, reflecting our continued focus on initiatives to retain talented employees

4 R

Return on invested capital

(%)

15.1%



Description

Operating profit after interest and tax divided by invested capital (calculated as total equity plus total debt and obligations under finance leases)

Why is it a KPI?

This measures our efficiency in allocating capital to profitable investments

2017 performance

The significant increase in ROIC reflects the reduction in our asset value as a result of the revaluation of the West-Ward Columbus business. Using the 2016 asset valuation, ROIC is 9.9%

5 R

Injectables

Our Injectables business manufactures, markets and sells generic injectable products in the US, the MENA region and Europe. In the US, we are the third largest manufacturer of injectables by volume.

We manufacture, market and sell generic injectable products in the US, the MENA region and Europe. Our portfolio covers a diverse range of therapeutic categories, including anti-infectives, anaesthetic, CNS, oncology and pain management.

We have injectables manufacturing facilities in the US, Portugal, Germany and Italy, with a broad range of capabilities, including sterile liquid, powder, lyophilised and cytotoxic products. In recent years, we have added significant capacity and developed new capabilities to respond to health care providers and patients' needs. We are further expanding our Portugal campus and expect to open a dedicated, state-of-the-art oncology facility in 2019.

We have been building our R&D capabilities in recent years. We have a dedicated R&D facility and an experienced scientific team in Bedford, Ohio, where we are developing global files to efficiently access all our markets. We supplement our internal R&D with external partnerships, product file acquisitions and M&A.

Overview

Highlights

- Global Injectables revenue of $776 million, down 1%
- Strong core operating margin of 40.6 %, reflecting a resilient product mix

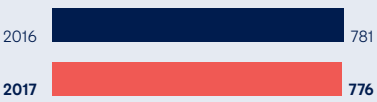
Financial highlights

$ million	**2017**	2016	Change	Constant currency change
Revenue	**776**	781	-1%	0%
Gross profit	**480**	505	-5%	-4%
Gross margin	**61.9%**	64.7%	-2.8pp	-3.0pp
Core operating profit	**315**	340	-7%	-7%
Core operating margin	**40.6%**	43.5%	-2.9pp	-3.0pp

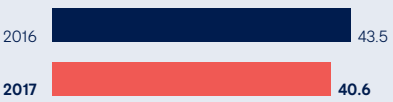
Injectables revenue by region

$ million		**2017**		2016
US	**586**	76%	607	78%
MENA	**103**	13%	91	12%
Europe and ROW	**87**	11%	83	10%
Total	**776**		781	

Revenue ($m)



Core operating margin (%)



Injectables continued

In 2017, global Injectables revenue declined by 1% to $776 million. In constant currency, global Injectables revenue was in line with 2016.

Of this total, US Injectables revenue was $586 million, down 3% from $607 million in 2016, due to increased competition on certain products with new market entrants and a reduction in contract manufacturing, partially offset by recent product launches and volume gains.

During 2017, MENA Injectables revenue was $103 million, up 13% from $91 million in 2016. In constant currency, MENA Injectables revenue increased by 23%. As expected, sales accelerated in the second half of the year across our markets. In addition, we achieved a strong performance in Sudan and benefited from the launch of our biosimilar product, Remsima®, in new markets.

European Injectables revenue was $87 million in 2017, up 5%, reflecting a good performance in Italy and Portugal, partially offset by lower sales in Germany due to expected changes in government regulations, restricting direct sales.

Injectables gross profit declined to $480 million in 2017, compared with $505 million in 2016. Gross margin decreased to 61.9%, compared with 64.7% in 2016, reflecting increased competition on some of our higher margin products in the US and a slight increase in overheads due to the expansion of our manufacturing facility in Portugal.

Core operating profit, which excludes the amortisation of intangible assets other than software and exceptional items of $22 million, was $315 million in 2017, down from $340 million in 2016. Core operating margin was 40.6%, compared with 43.5% in 2016. This reflects a change in product mix and a slight increase in operating costs.

During 2017, the Injectables business launched 34 compounds in 88 different dosage forms and strengths across all markets. The Injectables business also received a total of 149 regulatory approvals for products in different dosage forms and strengths across all markets – 61 in the MENA, 65 in Europe and 23 in the US.

In 2017, we reached a licensing agreement with South Korea-based Celltrion, Inc. and Celltrion Healthcare, Inc (Celltrion) for Truxima™ (rituximab), the first biosimilar monoclonal Antibody (mAb) in oncology to be granted European marketing authorisation. We now have exclusive agreements with Celltrion for three biosimilar products – Truxima™ (rituximab), Remsima® (infliximab) and Herzuma® (trastuzumab).

Looking forward, we expect Injectables revenue of between $750 million to $800 million in 2018 and core operating margin to return to more normalised levels in the low to mid 30s.

While competition is increasing on certain products in the US, we are seeing a good contribution from recently launched new products and strong growth in Europe and the MENA region."

Case study: Tailoring our products to meet patients' needs

We are focused on providing patients with the products that they need. For our Injectable portfolio, hospital clinicians determine what and how medicines are administered to patients within the clinical setting.

In 2017, we held focus groups with hospital pharmacists to increase our understanding of how clinicians currently administer injectable products and to identify their unmet needs. This increased understanding will enable us to develop products that improve workflow efficiencies and ultimately support hospitals in their quest to provide better and safer patient care.

Generics

Our Generics business manufactures and markets oral and non-injectable generic products for sale in the United States. We have two manufacturing facilities in the US and US FDA-approved facilities in Jordan and Saudi Arabia. We are the twelfth largest manufacturer of oral generics by volume in the US.

We have a diversified portfolio of more than 100 products in specialised market segments, such as oncology and pain management. We have a broad range of manufacturing technologies and capabilities, including the ability to manufacture solids, liquids, nasal sprays and dry powder inhalers.

We are focused on growing our product portfolio in niche market segments with high-entry barriers through investment in R&D, focused business development and selective acquisitions.

Overview

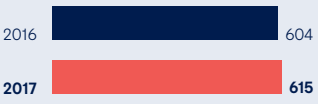
Highlights

- Generics revenue of $615 million, up 2% from $604 million
- Core operating profit of $22 million, compared with $35 million

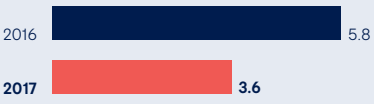
Financial highlights

$ million	**2017**	2016	Change
Revenue	**615**	604	2%
Gross profit	**219**	196	12%
Gross margin	**35.6**	32.4%	-3.2pp
Core operating profit	**22**	35	-37%
Core operating margin	**3.6%**	5.8%	-2.2pp

Revenue ($m)



Core operating margin (%)



Generics continued

Generics revenue was $615 million in 2017, up from $604 million in 2016. In 2017, Generics revenue included twelve months from West-Ward Columbus, compared with ten months in 2016. We faced significant industry headwinds during the year, primarily due to customer consolidation and greater competition following an increase in generic drug approvals by the US FDA. This resulted in greater than expected price and volume erosion. As expected, revenue growth was also limited by a reduction in contract manufacturing from Boehringer Ingelheim.

Generics gross profit was $219 million in 2017, compared with $196 million in 2016. Excluding the impact of exceptional items, core gross profit was $225 million, in line with 2016. This reflects an increase in costs associated with the development of our generic version of Advair Diskus®, partially offset by a reduction in raw material and overhead costs. Gross margin was 35.6%, and core gross margin was 36.6%, compared with 37.7% in 2016.

Core Generics operating profit was $22 million in 2017, compared with $35 million in 2016, primarily reflecting an increase in general and administrative costs related to strengthening our human resources, finance and technology capabilities, which were only partially offset by lower than expected investment in R&D. Core operating margin was 3.6%, compared with 5.8% in 2016.

The Generics business reported an operating loss of $1,082 million in 2017, largely due to the impairment of the West-Ward Columbus business. An initial impairment of product-related investments of $35 million was taken in the first half of 2017, primarily related to the West-Ward Columbus pipeline and a change in the expected market opportunity of certain products.

In the second half of the year, as pricing pressure increased due to customer consolidation and the pace of FDA approvals accelerated, we further reduced our expectations for the West-Ward Columbus marketed portfolio and pipeline. This has resulted in an additional impairment, primarily related to West-Ward Columbus of $1,070 million.[1] The impairment was slightly offset by a contingent consideration gain of $29 million related to a refund of the West-Ward Columbus acquisition purchase price, given certain regulatory conditions did not occur as expected by 24 December 2017, and which will be used for any future related expenses.

In 2017, we strengthened our Generics management team, recruiting experienced generic pharmaceutical leaders to manage research and development, sales and marketing, business development and the West-Ward Columbus facility. We are confident that going forward the enhanced management team can deliver the changes necessary to improve customer relationships and drive stronger profitability.

During 2017, the Generics business launched four compounds in nine different dosage forms and strengths and received 22 product approvals in different dosage forms and strengths. The Generics business also signed licensing agreements for two new products.

Since receiving a complete response letter (CRL) from the FDA on 11 May 2017 with respect to our ANDA submission for generic Advair Diskus®, we have worked collaboratively with the FDA to address the majority of questions raised. Concurrently, we also entered into a dispute resolution process with the FDA with respect of questions raised regarding our clinical endpoint study. The FDA has subsequently concluded this dispute process, upholding their original determination and requiring the completion of a new clinical endpoint study. We have finalised the planning of the new clinical study and expect to start patient enrolment in the coming weeks. We anticipate being able to submit a response to the FDA with new clinical data as early as possible in 2019 and remain committed to bringing this important product to the US market.

We expect Generics revenue to be between $550 million to $600 million in 2018 and core operating margin in the low single digits before adjusting for lower depreciation related to the impairment taken in 2017.

1. See Notes 14 and 15 of the consolidated financial statements for more details.

We have put in place a new management team to improve our operations, customer relationships and R&D programme."

Case study: Investing in complex products

Our experienced Generics R&D team is developing a pipeline of products to drive long-term growth in the US market to provide broader choice to customers and patients. Our team of more than 100 scientists is focusing on technically complex products that other manufacturers find difficult to execute.

We have significantly invested in our respiratory capability, building a dedicated manufacturing area for respiratory products. Due to the significant investment required, very few generic manufacturers have this capability.

In particular, we are focused on developing dry powder inhalers (DPI). Despite the fact that many patents on Branded dry powder inhalers have expired, there are no generic DPIs on the market. We have three DPIs in our pipeline, including generic Advair®, Flovent®, and Serevent Diskus®. Developing these products supports our vision of bringing more affordable generic pharmaceuticals to the market.

Branded

Our Branded business develops, manufactures and markets branded generics and in-licensed products across 17 MENA markets. We are the fifth largest generic pharmaceutical company in the MENA region and the largest regional player. Our largest markets are Saudi Arabia, Algeria, Egypt, Morocco and Jordan.

Our Branded business develops, manufactures and markets branded generics and in-licensed products across 17 MENA markets. Historically, we focused on anti-infective products. In recent years, in response to changing patients' demands, we have developed a portfolio of products in chronic therapeutic categories, such as cardiovascular, diabetes, central nervous system and oncology products.

We are proud to be a local player. We employ experienced local management, operating teams and sales and marketing teams who have a deep understanding of their respective markets. We have invested in manufacturing facilities in Algeria, Egypt, Jordan, Morocco, Saudi Arabia, Sudan and Tunisia. Our local expertise and established position allows us to capture attractive growth opportunities in these markets and navigate more challenging conditions if they arise.

We are committed to bringing new medicines to the MENA region. To do this, we are investing in R&D, strengthening our local R&D centres and establishing new licensing partnerships for innovative, patented products.

Overview

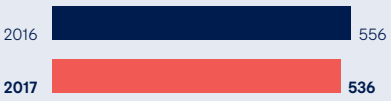
Highlights

- Branded revenue of $536 million, down 4% and up 2% in constant currency
- Core operating profit of $114 million, slightly ahead of 2016
- Core operating margin of 21.3% and 21.8% in constant currency, up 170 basis points

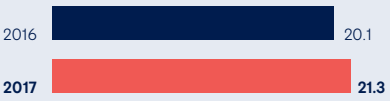
Financial highlights

$ million	**2017**	2016	Change	Constant currency change
Revenue	**536**	556	-4%	2%
Gross profit	**265**	282	-6%	1%
Gross margin	**49.4%**	50.7%	-1.3pp	-0.4pp
Core operating profit	**114**	112	2%	10%
Core operating margin	**21.3%**	20.1%	1.2pp	1.7pp

Revenue ($m)



Core operating margin (%)



Branded continued

On a reported basis, Branded revenue was $536 million, down 4% compared with $556 million in 2016. On a constant currency basis, before the impact of adverse movements in the Egyptian pound and Sudanese pound against the US dollar, Branded revenue increased by 2% to $565 million. The growth on a constant currency basis reflects a strong acceleration in sales in the second half of the year as well as particularly good growth in Egypt, the GCC and Sudan, partially offset by more challenging operating conditions in other markets.

In Egypt, revenue grew by 18% in constant currency due to strong underlying market growth and an improvement in our portfolio mix. In the GCC, which includes Saudi Arabia and the UAE, our businesses delivered a strong performance, with revenue up 5%. In Algeria, our second largest market, revenue was in line with 2016 in constant currency, despite increased import restrictions.

During 2017, the Branded business launched six new compounds in 113 different dosage forms and strengths across all markets. The Branded business also received 126 regulatory approvals across the region for products in different dosage forms and strengths.

Revenue from in-licensed products represented 37% of Branded revenue, compared with 39% in 2016. We launched three new in-licensed compounds during 2017, including Actosmet®, Duetact® and Tamsin®.

In 2017, we expanded our licensing and distribution agreement with Takeda to add attractive branded products to our MENA portfolio. The agreement builds on our long-standing partnership and enables us to expand our portfolio in key therapeutic areas, including cardiovascular, diabetes and gastroenterology.

On a reported basis, Branded gross profit was $265 million, down 6% from $282 million and gross margin was 49.4%, compared with 50.7% in 2016. In constant currency, gross profit increased by 1% compared with 2016, and gross margin was 50.3%.

Core operating profit, which excludes the amortisation of intangibles of $7 million, was $114 million, slightly ahead of 2016, and core operating margin was 21.3%, up from 20.1%. In constant currency, core operating profit grew by 9.8% and core operating margin increased to 21.8%, up 170 basis points. This improvement in profitability reflects the benefit of more stable exchange rates in 2017 compared to 2016, when we incurred a loss of $17 million as a result of the devaluation of the Egyptian pound against the US dollar.

In 2018, we expect Branded revenue growth in constant currency in the mid-single digits. As in 2017, we expect a stronger second half, reflecting the usual seasonality of this business.

Other businesses

Other businesses, which primarily comprise Arab Medical Containers, a manufacturer of plastic specialised medicinal sterile containers, International Pharmaceuticals Research Centre, which conducts bio-equivalency studies, and the API manufacturing division of Hikma Pharmaceuticals Limited Jordan, contributed revenue of $9 million in 2017, in line with 2016. These other businesses made an operating loss of $4 million, compared with an operating loss of $2 million in 2016. This was due to the establishment of a regional hub in Dubai to support our expansion into emerging markets.

1. In November 2016, the Egyptian pound had devalued against the US dollar from its peg of 8.8 EGP:USD to 18.2 EGP:USD as of 31 December 2016.

We saw a strong acceleration in sales during the second half, and a strong performance in Egypt, the GCC and Sudan leading to growth in constant currency."

Case study: Providing patients with access to high-quality affordable medicines

Around 40 per cent of the products we sell in the MENA region are innovative products that we in-license from global partners. These products enhance our portfolio in key therapeutic areas and increase patients' access to high-quality, affordable medicines.

Celltrion is one of our long-standing partners in MENA and in 2017, we signed a licensing agreement for the first biosimilar monoclonal Antibody (mAb) in oncology to be granted European marketing authorisation, Truxima™ (rituximab). We now have exclusive agreements with Celltrion for three biosimilar products – Truxima™ (rituximab), Remsima® (infliximab) and Herzuma® (trastuzumab) – in all our MENA markets. This strengthens our product portfolio in the strategic therapeutic areas of oncology, autoimmune diseases, rheumatology and dermatology and reinforces our position as a partner of choice in the MENA region. It also means we are meeting important patient needs.

Group performance

2017 highlights – core

- Core Group revenue of $1,936 million, down 1% and in constant currency up 1%[1], despite challenging market conditions in the US
- Core[2] operating profit of $386 million, down 8% and down 4% in constant currency
- Core basic earnings per share of 105.0 cents, down 11% and down 8% in constant currency
- Record cash flow from operations, up 51% to $443 million, from $293 million
- Net debt reduced to $546 million from $697 million and healthy leverage ratios maintained

2017 highlights – reported

- Reported Group operating loss of $747 million, down from income of $302 million, primarily due to the impairment of West-Ward Columbus' intangible assets of $920 million and property plant and equipment of $164 million[3]
- Basic loss per share of 351.3 cents, compared to basic earnings per share of 66.5 cents in 2016
- Proposed full year dividend of 34 cents per share, up from 33 cents per share

Summary financial results

		Growth		
Core results	**2017 $ million**	Constant currency	$	2016 $ million
Core revenue	**1,936**	1%	-1%	1,950
Core operating profit	**386**	-4%	-8%	419
Core EBITDA[3]	**468**	-1%	-5%	493
Core profit attributable to shareholders	**252**	-5%	-9%	276
Core basic earnings per share (cents)	**105.0**	-8%	-11%	118.5

		Growth		
Reported results	**2017 $ million**	Constant currency	$	2016 $ million
Revenue	**1,936**	1%	-1%	1,950
Operating profit	**-747**	-342%	-347%	302
EBITDA	**488**	7%	3%	473
Profit/loss attributable to shareholders	**-843**	-636%	-644%	155
Basic earnings per share (cents)	**-351.3**	-620%	-628%	66.5

1. Constant currency numbers in 2017 represent reported 2017 numbers re-stated using average exchange rates in 2016, excluding price increases in the Branded business which resulted from the devaluation of currencies.
2. Core results are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 5 in the Notes to the Financial Statements.
3. See Notes 14 and 15 of the consolidated financial statements for more details.

To ensure the continuous development of our product pipeline, we submitted 226 regulatory filings in 2017 across all regions and markets."

Group

Group revenue was $1,936 million in 2017, down from $1,950 million in 2016. Group gross profit was $967 million and core gross profit was $973 million, down from $1,018 million. Group gross margin was 49.9% and core gross margin was 50.3%, compared with 52.2% in 2016.

Group operating expenses increased by 151% to $1,714 million. Excluding the amortisation of intangible assets other than software and exceptional items, core Group operating expenses were $587 million, compared with $599 million in 2016. In 2017, amortisation of intangible assets other than software increased to $48 million, compared with $37 million in 2016, due to a significant upgrade of technology systems and the consolidation of an additional two months of West-Ward Columbus. Exceptional items included within operating expenses were $1,127 million, compared with $85 million in 2016. Exceptional items comprised an impairment charge to West-Ward Columbus' intangible assets of $920 million and property plant and equipment of $164 million.[1] The paragraphs below address the Group's main operating expenses in turn.

Sales and marketing (S&M) expenses were $236 million, compared with $221 million in 2016. Excluding the amortisation of intangible assets other than software, S&M expenses were $188 million, up 2% compared to 2016, due to the consolidation of an additional two months of West-Ward Columbus, partially offset by good control of expenses across the Group.

General and administrative (G&A) expenses decreased by $5 million to $239 million in 2017. Excluding exceptional items, G&A expenses increased by $30 million due in part to an increase in G&A costs in the Generics business related to the strengthening of human resources, finance and technology capabilities and the consolidation of an additional two months of West-Ward Columbus.

Research and development (R&D) expenses were $121 million, down from $150 million in 2016. Excluding exceptional items, core R&D expense was $115 million, down from $126 million. This primarily reflects a reduction in R&D expenditure in our Generics business following a detailed review of our R&D pipeline, which reprioritised high-value products and identified opportunities for cost savings and efficiencies. An additional $7 million of product-related investment was capitalised on the balance sheet in 2017. This related to product development investments with third party partners in the US to support growth of our Generics and Injectables businesses. The combined core R&D expense and product-related investment for the Group was $121 million (6% of Group revenue), compared with $139 million (7% of Group revenue) in 2016.

Other net operating expenses were $1,118 million in 2017, compared with $69 million in 2016. Excluding exceptional items of $1,072 million, primarily related to the impairment of West-Ward Columbus, other net operating expenses were $46 million, down from $81 million in 2016.

The Group reported an operating loss of $747 million in 2017, compared to a reported operating profit of $302 million in 2016. Excluding the impact of amortisation and exceptional items, core Group operating profit decreased by 8% to $386 million and core operating margin was 19.9%, compared with 21.5% in 2016, reflecting lower profitability in our Generics and Injectables businesses.

Research & Development

The Group's product portfolio continues to grow as a result of our product development efforts. During 2017, we launched 44 new compounds.[2] The Group's portfolio now stands at 658 compounds.

Across all businesses and markets, a total of 214 products[3] were launched during 2017. In addition, the Group received 297 product approvals.

To ensure the continuous development of our product pipeline, we submitted 226 regulatory filings in 2017 across all regions and markets. As of 31 December 2017, we had a total of 846 products pending approval across all regions and markets. At 31 December 2017, we had a total of 147 new compounds under development.

1. See Notes 14 and 15 of the consolidated financial statements for more details.
2. Compounds are defined as pharmaceutical compounds in the Group's portfolio and pipeline.
3. Products refer to dosage forms and strengths, across all markets.

Group performance continued

Hikma product pipeline

	Products launched in 2017			Products approved in 2017		Products pending approval as at 31 December 2017	
	New compounds[1]	New dosage forms and strengths	Total launches, across all countries[2]	Compounds	Total approvals, across all countries[3]	Compounds	Total pending approvals, across all countries[3]
Injectables	34	36	88	61	149	138	506
Generics	4	9	13	9	22	20	39
Branded	6	13	113	53	126	66	301
Group	**44**	**58**	**214**	**123**	**297**	**224**	**846**

1. New compounds are defined as pharmaceutical compounds being introduced for the first time during the period.
2. Total launches include all dosage forms and strengths that are new product launches, new geographic launches, as well as relaunches.
3. Totals include all dosage forms and strengths that are either approved or pending approval across all markets.

Net finance expense
In 2017, net finance income was $9 million. Excluding non-cash income of $67 million resulting from the remeasurement of contingent liabilities, the Group incurred a net finance expense of $58 million, down from $60 million in 2016. This reduction primarily reflects a decrease in bank charges and lower debt. In 2018, we expect Group net finance expense to be around $55 million.

Profit/(loss) before tax
The Group reported a loss before tax of $738 million in 2017, down 451% due to the impairment of the West-Ward Columbus business. Core profit before tax was $328 million, down 9% compared to 2016.

Tax
The Group incurred a tax expense of $101 million, up from $52 million in 2016 primarily due to a $49 million write-down to our US deferred tax asset due to new tax regulations in the US described below. Excluding the tax impact of exceptional items, core Group tax expense was $72 million in 2017, down from $80 million in 2016. The core effective tax rate was 22.0%, compared with 22.3% in 2016.

On 22 December 2017, the Cuts and Jobs Act was enacted in the US, reducing the statutory rate of US federal corporate income tax to 21%. As a result, Hikma's measurement of its US deferred tax assets has reduced by $49 million. Going forward, we expect the reduction in the statutory US federal rate to reduce Hikma's effective tax rate, which we now expect will be in the range of 21% to 22% in 2018.

Profit/(loss) attributable to shareholders
Loss attributable to shareholders was $843 million, compared with profit of $155 million in 2016. Core profit attributable to shareholders decreased by 9% to $252 million, compared with $276 million in 2016.

Earnings per share
Basic loss per share was 351.3 cents in 2017, compared to basic earnings per share of 66.5 cents in 2016. Core basic earnings per share decreased by 11% to 105.0 cents, compared with 118.5 cents in 2016. Core diluted earnings per share decreased by 11% to 104.6 cents, compared with 117.9 cents in 2016.

Dividend
The Board is recommending a final dividend of 23 cents per share (approximately 16 pence per share) bringing the total dividend for the full year to 34 cents per share (approximately 24 pence), up from 33 cents per share in 2016. 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 on 18 May 2018.

Net cash flow, working capital and net debt
The Group generated operating cash flow of $443 million in 2017, compared with $293 million in 2016. In 2016, Group operating cash flow was negatively impacted by the investment in working capital required to support West-Ward Columbus following the acquisition in February 2016. Group working capital days were 225 days at December 2017, down from 240 days at December 2016, primarily driven by an improvement in receivables in the US, following the integration of West-Ward Columbus.[4]

Capital expenditure was $107 million, compared with $122 million in 2016. Of this, around $67 million was spent in the US to expand the manufacturing capacity and capabilities of our Injectables and Generics businesses. In the MENA region, around $25 million was spent to maintain and upgrade our equipment and facilities across a number of markets. Approximately $15 million was spent in Europe, building our dedicated oncology facility in Portugal. We expect Group capital expenditure in the range of $120 million to $140 million in 2018.

The Group's net debt (excluding co-development agreements and contingent liabilities) stood at $546 million at the end of December 2017, compared with $697 million at the end of December 2016. The reduction reflects the increase in cash flow from operations.[5]

Balance sheet
Net assets at 31 December 2017 were $1,528 million, compared to $2,411 million at 31 December 2016. The decrease in net assets reflects the impairment of the West-Ward Columbus business.[6] Net current assets were $777 million, compared to $530 million at 31 December 2016.

Definitions
We use a number of non-IFRS measures to report and monitor the performance of our business. Management uses these adjusted numbers internally to measure our progress and for setting performance targets. We also present these numbers, alongside our reported results, to external audiences to help them understand the underlying performance of our business. Our adjusted numbers may be calculated differently to other companies.

Adjusted measures are not substitutable for IFRS numbers and should not be considered superior to results presented in accordance with IFRS.

Core results
Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items that mask the underlying performance of the Group. To provide a more complete picture of the Group's performance to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. Reconciliation between core and adjusted results are provided in our Financial Statements.

Our core results exclude the exceptional items and other adjustments set out in Note 5 in the Notes to the financial Statements.

Constant currency
As the majority of our business is conducted in the US, we present our results in US dollars. For both our Branded and Injectable businesses, a proportion of their sales are denominated in a currency other than the US dollar. In order to illustrate the underlying performance of these businesses, we include information on our results in constant currency.

Constant currency numbers in 2017 represent reported 2017 numbers re-stated using average exchange rates in 2016, excluding price increased in the Branded business which resulted from the devaluation of currencies.

Working capital days
We believe Group working capital days provides a useful measure of the Group's working capital management and liquidity. Group working capital days are calculated as Group receivable days plus Group inventory days, less Group payable days. Group receivable days are calculated as Group trade receivables x 365, divided by trailing 12 months Group revenue.

Group net debt
We believe Group net debt is a useful measure of the strength of the Group's financing position. Group net debt is calculated as Group total debt less Group total cash. Group total debt excludes co-development agreements and contingent liabilities.

4. Group working capital days are calculated as Group receivable days plus Group inventory days, less Group payable days.
5. Group net debt is calculated as Group total debt less Group total cash.
6. See Notes 14 and 15 of the consolidated financial statements for more details.

Outlook

Injectables
We expect Injectables revenue in 2018 will be in the range of $750 million to $800 million, as increased competition in the US is offset by new launches and continued growth in the MENA and Europe. We expect core Injectables operating margin to return to more normalised levels in the low to mid 30's in 2018, reflecting the expected change in product mix.

Generics
In our Generics business, we are actively pursuing new commercial opportunities and focusing on the execution of our pipeline to help offset continuing price erosion. We are also identifying further cost savings for this business, which will include the consolidation of our non-injectables manufacturing operations and distribution centres in the US. We expect Generics revenues in 2018 will be in the range of $550 million to $600 million and core Generics operating margin in the low single digits before adjusting for lower depreciation related to the impairment taken in 2017.

Branded
We expect Branded revenue growth in constant currency in the mid-single digits as we benefit from new launches of our branded generics and in-licensed products across our key markets. As in 2017, we expect a stronger second half, reflecting the usual seasonality of this business.

Group
Across the Group, we are focused on delivering value from our marketed products, investing in our pipeline and enhancing the efficiency of our operations to ensure we are well positioned for future growth.

Sustainability

Our brand promise, to put better health within reach every day, is embedded within our sustainability strategy.

Our essentials	What this means for our approach to sustainability
Quality without boundaries 	Our organisation is dedicated to achieving best practices across our operations. This is a standard which we extend to our supply chain. We work alongside our industry partners to uphold ethical labour practices and safeguard human rights.
Global expertise, local solutions 	Ensuring that our products are available and accessible to those that need them is the essence of our brand promise. Across our operations, we remain dedicated to affordability and inclusivity so that the people in need in our communities can benefit from high-quality healthcare products and information.
Practical creativity 	We are continuously exploring new and creative ways to serve our communities. From the introduction of novel products to the support for new research, we consider ingenuity to be embedded within our organisation. Key to this is the empowerment of our employees, who we provide with platforms and channels to express and develop their ideas.
Committed to people 	**Our employees:** Our employees are central to our success. We take measures to engage and empower them and ensure their safety. **Our communities:** We are committed to serving our communities. In all of our markets, we engage with those around us, helping to improve lives and address social needs. **The environment:** We take measures to minimise our environmental impacts and enhance environmental compliance and regulations.

Some notable achievements	Highlights	More information
– Maintained our position in the FTSE4Good sustainability index – Strengthened our commitment to safeguarding ethical business practices across our supply chain by incorporating modern slavery clauses into our Supplier Audit Questionnaires – Worked alongside leading educational institutions to improve the quality of information available to doctors in the MENA region	**3** FTSE4Good ESG Score	See page 46
– Established a specialised oncology unit in Egypt, increasing the availability of affordable oncology products in the country and across the MENA region – Donated in-kind medicine to those in need in Jordan, Libya, Sudan, Gaza and the US – Provided access to information about the growing challenge of Anti-Microbial Resistance (AMR) through multiple awareness campaigns targeting HCPs, policymakers and the general public	**+340k** units of medicine donated across five countries	See page 48
– Distributed more than 500,000 'smart syringes' across Jordan and trained doctors and nurses to combat syringe reuse and prevent needle-stick injuries – Introduced the Hikma Innovation Competition, which provided employees with an opportunity to share innovative ideas and solutions with executive management	**400** doctors and nurses in Jordan trained to effectively use 'smart syringes' and improve patient safety	See page 50
– Undertook our first global employee survey to enable all employees to express their views – Undertook several drug disposal programmes to remove and dispose of unwanted or expired medications – Completed our wastewater treatment facility in Egypt, our contribution to address the country's shortage of clean water	**6.4m** unwanted or expired tablets disposed of in Columbus **200m^3** of water treated per day in Egypt through our wastewater treatment facility	See page 52

Delivering quality in everything we do

At Hikma, we are committed to providing quality in everything we do. We believe that building trustworthy, transparent relationships are key to sustainable long-term partnerships. In 2017 we took steps to build on our governance frameworks and broadened the scope of our partnerships with major suppliers to uphold the ethical foundations of our organisation.

Maintained inclusion in the FTSE4Good

As recognition of our quality standards in our sustainability practices, we are pleased to have maintained our inclusion in the FTSE4Good sustainability index in 2017. The FTSE4Good recognises companies listed on the London Stock Exchange that demonstrate strong Environmental, Social and Governance (ESG) practices as measured against internationally recognised best practices. The focus areas include: anti-corruption, climate change, health and safety, and customer responsibility.

FTSE4Good

Maintained ethical standards and minimised the risk of corruption

We are committed to upholding ethical standards, including honesty, integrity and transparency. As a publicly-listed company on the London Stock Exchange, we abide by the UK Anti-Bribery Act 2010 and the Share Dealing Code and Disclosure Policies. We are also a founding member of the Partnering Against Corruption Initiative (PACI), an offshoot of the World Economic Forum (WEF), and a leading voice on promoting anti-corruption and transparency across different industries. In 2015 we joined the Business 20 (B20) Anti-Corruption Working Group (ACWG), which operates under the umbrella of the G20 international forum and is tasked with helping companies improve their ethical conduct.

Our culture at Hikma is one of transparency and respect, which we support through our 'open-door' policy and 'Speak Up' whistleblowing platform. 'Speak Up' is an independent service that enables stakeholders inside or outside the company to anonymously raise concerns about incidents that do not align with our values such as corruption or discrimination.

Various risks arise for companies that do not develop effective anti-bribery and corruption (ABC) policies. These can include reputational, financial, licensing or regulatory implications, as well as difficulty receiving financing, attracting and keeping talent or developing business partnerships. As such, we continue to take measures to strengthen our

Case study: A firm stance against modern slavery

We are wholly committed to defending the universal principles of human rights and ensuring that modern slavery in the form of forced or compulsory labour and human trafficking does not take place in any of our businesses or supply chains around the world. We have taken measures to guard against all forms of modern slavery within our sphere of influence. These include:

- training our people on local and universal labour standards, as well as how to recognise and respond to incidences of modern slavery;
- undertaking periodic evaluations to identify and address modern slavery risks in our businesses or supply chains; and
- carrying out appropriate due diligence when engaging new supply chain partners.

Case study: Our commitment to education
Speaking at our first 'Hikma Cancer Network – Middle East Forum of Hematologic Malignancies,' our Vice Chairman and CEO of MENA and Emerging Markets, Mazen Darwazah explained, 'This collaboration reinforces our commitment to continuous medical education, and enables us to fulfil our obligation to the communities in which we operate by allowing us to meet the needs of our patients and help create sustainable healthcare.'

100

Cancer specialists participated in our first annual 'Hikma Cancer Network' forum

governance and manage risks by reinforcing our ABC protocols. Our Compliance, Responsibility and Ethics Committee (CREC) – a Board Committee which is chaired by an independent, non-executive director – has formalised, developed and implemented an ABC business integrity programme based on thorough risk assessment and understanding of our business. In addition, our Code of Conduct provides all employees with a clear understanding of the principles of business conduct, standards, and ethical behaviours. We implement frequent ABC programmes which are monitored through internal compliance assessments, and carry out third-party due diligence and oversight when necessary.

This year, we introduced an e-learning training module to more effectively train our employees on how to identify and act on instances of bribery and corruption. The module was rolled out globally and will be updated on an annual basis.

Extended our commitment to ethics across our supply chain

In order to ensure our suppliers and partners uphold our standards, our supply chain management team conducts regular audits that assess compliance in areas including business ethics, labour standards and environmental protection. We have ensured that all of our suppliers follow Good Manufacturing Practices (GMP) and that our major suppliers are ISO 14001 and OHSAS 18001 certified or equivalent.

In 2016, we introduced staff training measures and the development of specific standard operating procedures (SOPs) to ensure that we, and our partners, are not involved in forced or compulsory labour or human trafficking. In 2017, we strengthened our ability to address this issue, incorporating modern slavery clauses into our Code of Conduct and Supplier Audit Questionnaires – the latter being mandatory for all of our new and major-spend suppliers. Currently, we do not screen all suppliers. We are working to increase the number of those that we engage through our questionnaires.

Supported continued education of doctors and pharmacists

We provide education to doctors and pharmacists to improve the delivery of healthcare to patients. In 2017, we collaborated with the Department of Leukemia at the University of Texas MD Anderson Cancer Center to host our first annual 'Hikma Cancer Network – Middle East Forum of Hematologic Malignancies.' Through the forum we succeeded in attracting more than 100 blood cancer specialists from around the MENA region. We provided information on new technologies and treatments.

In Tunisia, we launched a series of training programmes for pharmacists and their support staff. Our training programmes addressed issues such as improved stock management, finance and accounting basics, human resource management, as well as the soft skills necessary to improve the overall patient experience.

Meeting patient needs through accessibility and affordability

We were founded on the principles of access and affordability nearly 40 years ago, and these principles are still central to our approach today. We are committed to meeting the healthcare needs of patients, doctors and customers, and work hard to ensure continued access to quality, safe and reliable medicines.

In 2017, we expanded several strategic partnerships that will increase patient access to vital products in the MENA region. In addition, we expanded our manufacturing capability in the MENA to ensure the reliability and stability of supply for essential products. This year, we developed a comprehensive global in-kind donations policy through which we delivered more than 340,000 units of medications to those in need around the world.

In the US, generics make up 89% of prescriptions dispensed but only 26% of total medicine spending."

The Association for Accessible Medicines (2017)

Improved patient access to oncology products

Cancer is a prevalent disease in the MENA region and is growing. In Egypt, one of our largest markets, it is expected that the prevalence of cancer will increase three-fold between 2013 and 2050.

In 2016, we launched Hikma Specialized and became the only local manufacturer of oncology products in Egypt. Hikma Specialized addresses major local and regional cancer needs. The facility's comprehensive portfolio includes products to treat a wide variety of cancer types including breast, colorectal, lung, leukemia, multiple myeloma and thalassemia.

Strategic partnerships

The expansion of our partnerships with Celltrion and Takeda has increased access for patients across MENA to high-quality, affordable medicines in key therapeutic areas, such as cancer, cardiovascular and diabetes.

Developing a global donations policy

It is important to us to support the communities in which we operate. Every year, we donate medical supplies to institutions and agencies that are responding to natural disasters or addressing other difficulties. This year, we developed a donations policy through which we streamline the medicine donation process across our sites. In 2017, our donations exceeded 340,000 units – valued at more than $2.5 million – which were distributed to people in need across Jordan, Libya, Sudan, Gaza and the US. We are working to expand our donations to assist more people across more of our markets.

340,000

Units of medicine donated to people in Jordan, Libya, Sudan, Gaza and the US

$2.5m

Value of medicine donated to people in Jordan, Libya, Sudan, Gaza and the US

Improved access to information

We consider it our responsibility to provide access to information about the risks and dangers related to major medical issues and diseases.

As the second largest manufacturer of anti-infective medications in the MENA region, we believe that we have a responsibility to raise awareness of the risks and dangers of the rising threat of AMR.

Over the course of the year, we sought to address this challenge by organising several activities targeting multiple stakeholders:

- We believe that the correct usage of antibiotics by patients is critical to controlling AMR. We have developed simple instructions, which we include inside our packaging, to ensure patients understand how to use our products.
- In November, we participated in the World Health Organisation's (WHO) 'World Antibiotic Awareness Week' by promoting their campaign on our social media channels and distributing awareness posters.
- We held numerous events for healthcare professionals, where we invited experts to present on AMR and related issues.
- We are the Jordanian Association of Pharmaceutical Manufacturers (JAPM) representative in a committee responsible for developing a local action plan to manage AMR in Jordan.

Partnering for good: Direct Relief

In 2017, we agreed a global partnership with Direct Relief – one that is based on our shared values and purpose of delivering quality medicines to those around the world who need them. Direct Relief is a global NGO dedicated to providing tailored medical solutions for vulnerable and at-risk populations by improving maternal and child health, preventing and treating diseases and assisting emergency preparedness and response.

Our collaboration begins in 2018 and will address unmet healthcare needs of people in the Middle East and the US. In Jordan, we will work with refugees across the region to improve their access to medicines. In the US, we will support Direct Relief's community pharmacies, set up to aid those without adequate medical insurance.

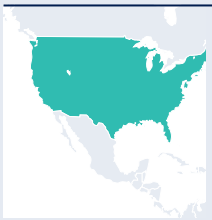
Our partnership with Direct Relief emphasises the importance of creating tangible health benefits on the ground, which we will do by providing our employees with volunteering opportunities as well as leveraging our logistics expertise to deliver regular and timely in-kind donations to those that need it most.

In future years, we will look to expand the scope of our collaboration beyond Jordan and the US.

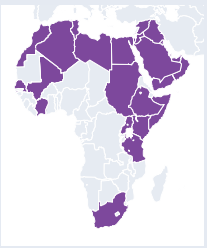
Direct Relief

Our contribution

Where we are helping



US
Supporting Direct Relief's community pharmacies with volunteers and medicine



MENA
Working with refugees across the region, with a particular focus on refugee camps in Jordan

How we are helping

Volunteers assisting on the ground

Donation of medicine

Financial contributions

Innovation as part of our sustainability strategy

Innovation is integrated into both our employee and community outreach agendas. By empowering and enabling the creative potential of our employees, we are able to develop tailored solutions that address company challenges, while encouraging employees to think creatively and develop new skills. We also incorporate innovation in our community engagement by supporting young people within the community to develop their creative skills. We believe that this can contribute to socio-economic development.

Encouraged innovation

We recognise the importance of expanding communication channels and platforms for our employees to share and develop their ideas. Our Innovation and Leadership Advisory Board (ILAB) was established in 2014 with the purpose of empowering young employees and tapping into their creative potential. Since its inception, ILAB has achieved success, developing and nurturing ideas. One notable achievement of ILAB was the introduction of the Hikma Innovation Competition (HIC), a company-wide competition that included contestants from all our markets designed to find innovative ideas on how to improve businesses processes.

The competition committee prioritised proposals that presented innovative yet practical and feasible solutions to company challenges. The winning proposal for 'Real-time Statistical in-Process Control on Tablet Compression' is expected to result in $7.5 million in savings from an investment of around $70,000. The project will leverage statistical in-process control during manufacturing and warn operators of impending in-process product rejects in real-time. The warning will enable operators to make immediate adjustments to reduce the number of rejected products.

Contestants in our newly-established Hikma Innovation Competition (HIC) stand alongside our Executive Chairman, Said Darwazah, during the competition awards ceremony. HIC provides a platform through which our people can share their ideas with executive management in a competition format, with the winning team given the opportunity to implement their idea.

We trained 400 doctors and nurses on the use of 'smart syringes' as part of our campaign to address syringe reuse and reduce the spread of blood-borne diseases.

Encouraged the use of innovative 'smart syringes'

Needle reuse is often responsible for the spread of blood-borne diseases such as hepatitis B, hepatitis C and HIV. In order to address this challenge in Jordan, we undertook a multi-faceted campaign of awareness and distribution of 'smart syringes' around the country in collaboration with the Ministry of Health. The innovative design of 'smart syringes' includes a retractable safety feature that makes it impossible for healthcare professionals to inadvertently use the same syringe more than once, protecting patients from needle-stick injuries, possible infections and the spread of blood-borne diseases.
To promote greater use of 'smart syringes,' we distributed 500,000 of them to public and private hospitals around the country, and trained 400 doctors and nurses on their use.
We hope that by encouraging the use of 'smart syringes' we can more effectively protect the health and safety of patients in our markets.

Our collaboration with the Injaz Innovation Camp

As part of our commitment to drive socio-economic growth in our communities, our employees in Algeria participated in the Injaz Innovation Camp – an initiative aimed at challenging university students to develop innovative business solutions through leadership, critical thinking and teamwork. Our employees volunteered to mentor and work with more than 50 students from universities across the country. We hope that by participating in activities such as this, we can encourage greater entrepreneurship and socio-economic development in our communities.

500,000

Smart syringes distributed to public and private hospitals in Jordan

400

Doctors and nurses trained on their use

Committed to people, community and the environment

We remain committed to meeting the needs of our people, our communities and our environment. We consider the prosperity of our surroundings, human and environmental, to be linked to our organisational growth. We have therefore directed substantial resources towards addressing social challenges in our communities and take active measures to reduce emissions and minimise the environmental impacts of our operations.

People

The health and safety as well as engagement of our people is a key focus of our sustainability strategy.

Prioritised occupational health and safety

Protecting the health, safety and welfare of our people is paramount, and as a result, we have a focus on Occupational Health, Safety, Environmental and Energy (OHSEE) management. We provide information, training and support to all our employees to increase their level of awareness of the hazards and risks that are associated with our operations. Our OHSEE group-wide corporate policy is endorsed by the Vice President of Corporate Communication and communicated to all our employees.

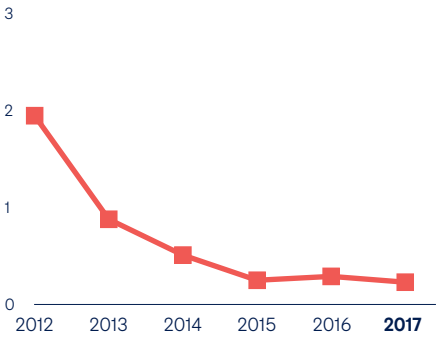
We monitor targets for health and safety to review our performance and identify areas where we can improve our approach. Our OHSEE policy dictates that all our units comply with stringent industry standards of OHSEE management to ensure the well-being of our employees and business partners and to minimise environmental impacts of our operations.

We are continuously refining our production processes, equipment and training to minimise potentially harmful situations and to prevent and manage environmental accidents and emergencies. This is reflected in the overall reduction in Lost Time Injury Rates (LTIR) across our US locations (see chart below). Going forward, we will expand monitoring and reporting of LTIRs to include our facilities in MENA and Europe.

Case study: Bringing our people together through the 'You are Hikma' campaign

The 'You are Hikma' campaign is held every year across all our locations, bringing employees together to promote health and safety both internally and across our wider communities. This year, more than 80 employees in our Jordan locations and 250 employees from across our US locations volunteered and took part in the campaign's activities which included awareness lectures on waste recycling and occupational health and safety. The event also included a blood drive, firefighting training and medical testing.

Lost Time Injury Rate – US Facilities



– LTIR defined as injuries resulting in one or more days away from work per 100 employees
– Data for Bedford and Columbus collected as of 2015
– Data for Creekside collected as of 2016
– In 2017, we sustained no LTIRs in Bedford, Creekside, Eatontown or Memphis

250

'You are Hikma' volunteers from across our US locations

Our first global employee survey

In 2017, we undertook our first global Employee Effectiveness Survey (EES) to measure and address employee engagement and better understand their positions on a range of issues.

Our intention is to conduct this survey on a regular basis. This will help us to gauge our performance internally and benchmark ourselves against industry best practices. This year, we achieved a response rate of 70%, and we will aim to improve this in future years.

Encouraged inclusivity and diversity

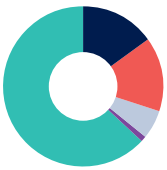
We believe in equality for all employees, and pride ourselves on being an equal opportunity employer and do not discriminate on the basis of race, age, religion, sexual orientation or any other characteristic. We consider the diversity of our people to be a source of strength that contributes to our creativity and effectiveness as an organisation.

Ethnic and gender diversity

Our merit-based and inclusive corporate culture helps foster a diverse workplace. Whilst we do not set quotas, we actively monitor ethnic diversity at all our US locations.

Approximately 33 per cent of our global workforce is female.

Ethnicity breakdown – our US locations



Asian	15%
Black or African American	15%
Hispanic or Latino	6%
Two or more races	1%
White	63%

Monthly lectures organised through our 'Dare to Dream Big' programme promote capacity-building and leadership skills for our female employees in the MENA region.

Women's empowerment

We have developed various programmes and policies to encourage gender diversity and women's empowerment. Through our 'Dare to Dream Big Programme', we hold monthly lectures that promote capacity-building and leadership development for our female employees in the MENA region. We also established a formal committee tasked with addressing women-specific issues within the Company. The Women's Committee comprises females from across the organisation, offering an inclusive platform where issues can be addressed openly. The Committee contributed to the development of several important company policies such as the provision of a nursery allowance for parents and an extended maternity leave option for mothers in Jordan.

In Saudi Arabia, our efforts to reduce gender disparity, while at the same time accommodate cultural sensitivities, enabled us to increase the number of women in the Company from two in 2012 to 54 in 2017. This was achieved by establishing 'women-only' packaging and packing lines and including more women in our training and development agenda.

Gender diversity remains a challenge in certain locations, and to address this we will continue to introduce programmes that enable women to attain leadership roles, and address barriers to achieving a more inclusive workforce.

33%

Percentage of female employees at Hikma

Employee development: Our continuing education programme

We offer employees multiple ways to develop their skills and capabilities, and we believe that supporting employees' training enables us to develop future leaders internally. This was the rationale behind the establishment of our Continuing Education programme in 2010. Every year, we accept up to eight employees into the Programme, which provides financial scholarships for education. More than 50 employees have received full scholarships since the programme's establishment.

Case study: Ibrahim Shihadeh

Ibrahim Shihadeh began his career with us in 1978 as a maintenance engineer after completing a two-year Diploma in mechanical engineering. After ten years of employment, our founder, Dr Samih Darwazah, proposed that the Company sponsor Ibrahim's continued education and his pursuit of a bachelor's degree. In what became a precursor to our Continuing Education Programme, Ibrahim was able to further his education, enabling him to assume the role of Production Manager and eventually Head of Engineering. Ibrahim continued to progress within the organisation, earning the position of General Manager of Algeria and Senior Director of Special Projects. Ibrahim worked at Hikma until his retirement in July 2017. Ibrahim's journey within Hikma embodies our spirit of employee development and his success was the driving force behind the establishment of our Continuing Education Programme.

Communities

Across our communities we support programmes focused on social challenges and health and wellbeing.

Drug disposal campaigns

This year, we undertook several drug disposal initiatives to address the challenge of prescription drug abuse. In Columbus, our employee volunteers worked alongside local grocery store and pharmacy chain, Kroger, to collect and remove unwanted and expired medications from customers and dispose of them safely. Over the course of the campaign, we successfully disposed of more than 4,300 pounds (1,950kg) of medications, equating to more than 6.4 million tablets.

In Saudi Arabia, volunteers participated in the 'Dawaona Amanah' (Our Medicine, Our Responsibility) Campaign, which aims to spread awareness about the importance of proper drug disposal. The campaign took place across several locations, including hospitals, universities, malls and stadiums.

6.4m

Safely disposed of more than 4,300 pounds (1,950kg) of unwanted or expired medications, equating to more than 6.4 million tablets

Volunteers in Columbus came together to dispose of unwanted or expired medications.

Our employees are keen to take advantage of opportunities to volunteer and give back to their communities. Every year, we organise several campaigns that bring people together to assist those in need and improve our communities.

Volunteers in Cherry Hill participated in the 'Give Back' campaign, where they collected and helped to distribute food and beverages to those in need.

Helped those in need across our communities

Across our locations, our employees organised multiple campaigns to assist people in need. Some of the many activities undertaken during the year included collecting and distributing food and supplies and helping to improve infrastructure for several schools.

We organised multiple food drives across the US, bringing volunteers together to collect and distribute food to those in need. In both Memphis and Cherry Hill, our teams collected food for their local food banks, helping thousands gain access to basic supplies.

During the month of Ramadan, our employees in Egypt carried out a healthy meal distribution campaign, delivering food to more than 100 people in the village of Khair Allah. In collaboration with the Kheir W Baraka Institution, our volunteers were able to visit the village and offer hands-on assistance to those in need.

In Jordan, we continued our support for the Charity Clothes Bank, which developed a charity distribution centre in the Al Karak Governorate. Through our contributions, which totalled more than 93,000 items, we were able to help more than 26,000 people.

We conducted several activities to help improve education infrastructure. In Sudan, volunteers from our Savannah facility participated in a comprehensive effort to refurbish the Al-Mahlaj Higher Secondary School in Khartoum, helping repair critical infrastructure and complete maintenance work to improve the learning setting for students. The school was subsequently renamed the Pharmaland Higher Secondary School.

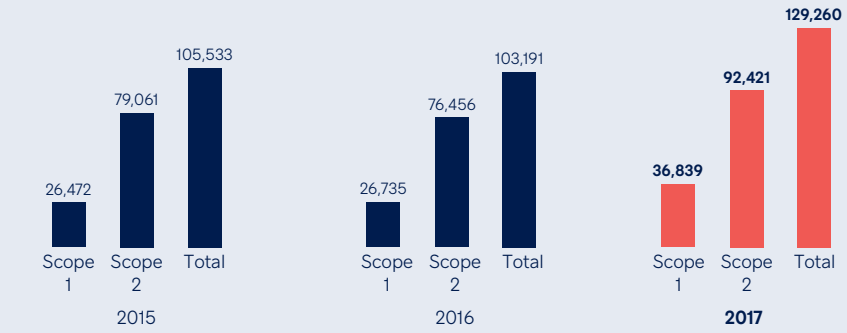
In Columbus, we donated a van to assist the mobile outreach programme of the Mount Carmel Foundation. The Foundation is a non-profit organisation dedicated to funding health and education programmes in Ohio. It provides extensive healthcare and resources to those that are not supported by other healthcare providers.

Assisted those affected by natural disasters

After the devastating hurricanes Harvey, Irma and Maria, employees from across five US facilities came together to donate supplies and assist in relief efforts. Through these donations, more than 500 people that were affected by the hurricanes were provided with access to essential items.

Measuring our emissions

The table below shows our emissions performance for the last three years.



Scope 1: Combustion of fuel and operation of facilities (tCO_2e)
Scope 2: Electricity (tCO_2)

Data notes:
- Emissions from the consumption of electricity are reported in tCO_2 rather than tCO_2e since the International Energy Agency emission factors for electricity currently account for carbon dioxide emissions only.
- Emissions are calculated in alignment with the WRI's Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard.
- Emissions are reported from sites which represent 92% of total employees.

Performance

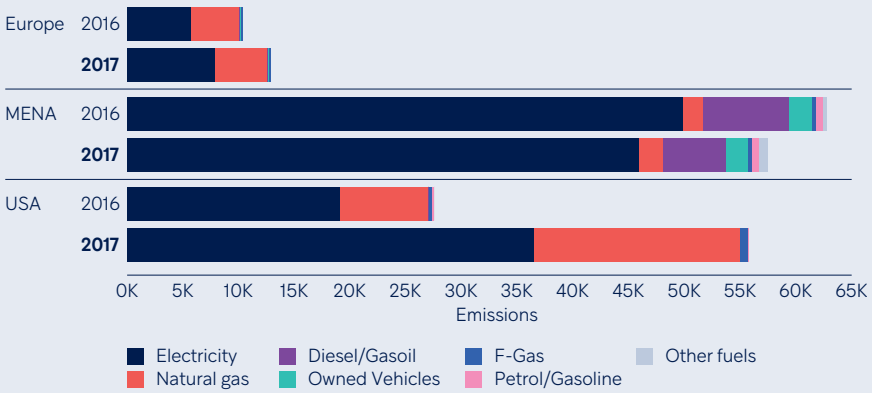
Our reported greenhouse gas emissions increased by 25% in 2017, compared with 2016. The increase was primarily due to the inclusion of West-Ward Columbus, our largest manufacturing facility, in our analysis for the first time. It accounts for 23% of total emissions in 2017. Excluding West-Ward Columbus from our US results, our greenhouse gas emissions decreased by 5% in 2017.

There was a slight increase in Europe due to the expansion of our Portugal manufacturing facility. In the MENA region, our emissions decreased by 8% due to investments made in energy efficiency.

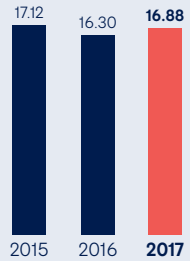
Our emissions per full-time equivalent (FTE) employee increased by 3.6%. This was primarily driven by increased manufacturing in Portugal and Germany. For example, a production increase of 40% in Germany led to a 16% increase in emissions from electricity at the site.

We are focused on reducing our emissions and have implemented several initiatives this year, which are discussed in more detail throughout the section.

Year-on-year change by fuel type



Emissions/FTE employee from reported sites (tCO_2e)



Environment

We are committed to doing our part to ensure that our environment is protected for future generations. Every year we take steps to improve our energy efficiency and minimise adverse impacts.

Achieved cleaner manufacturing

In 2017, we finalised agreements that will enable our Jordan-based facilities as well as our manufacturing facility in Tunisia to convert from using diesel fuel to liquefied petroleum gas (LPG). This will result in significant improvements to our environmental performance by reducing the carbon emissions of our production processes. The switch will also reduce overhead costs since, unlike diesel fuel, natural gas boilers have a longer service life and require less maintenance.

Through the agreement with the energy company Central Gas, our Jordanian facilities will be provided with a capacity of up to 30,000 litres of LPG per year, an amount that will reduce production costs by 7–15% based on estimated gas prices. In addition to reducing our carbon emissions, using natural gas will improve safety.

In Tunisia, our substitution to natural gas use was the pretext for the Tunisian government to develop underground gas pipelines for the entire village of Sidi Thabet. This investment will enable other businesses and households to access natural gas, substantially extending the environmental return of our investment.

The pursuit of cleaner energy in our production and manufacturing is part of our wider effort to consider the environmental impacts of our business, reduce our carbon footprint in cost-effective ways and to maximise the efficiency of our production.

Developed wastewater treatment in Egypt

As part of our efforts to improve environmental stewardship, we completed construction of a wastewater treatment unit in Egypt that will enable the manufacturing facility to reduce wastewater effluents by up to 90%. The wastewater treatment unit, operating at a maximum capacity of 200m^3 of treated water per day, uses the treated water for irrigation purposes, reducing use of domestic water consumption by 15%. We are seen as a leader in environmental compliance in Egypt.

90%

Potential reduction of wastewater effluents in our Egypt facility through wastewater treatment

Upgraded lighting fixtures

This year, our Columbus facility undertook multiple projects to improve energy efficiency and lower carbon emissions. The most notable was the installation of LED lighting fixtures. By investing in the replacement of 32W fluorescent tubes with more efficient substitutes, we have halved the energy consumed in lighting the facility.

The installation of 1,625 fixtures (6,500 tubes) will result in energy savings of 789,690 kWh per year, equating to annual savings of around 360 tCO_2e.[1]

Upgraded sewage treatment infrastructure

At our facility in Tunisia, we successfully upgraded and renovated our sewage infrastructure to reduce water consumption and mitigate the environmental impact of our operations. The treatment unit will isolate industrial water from rainwater and sanitary water, enabling us to recover industrial wastewater for treatment and reuse. Our sewage treatment project will improve the environmental footprint of our facility and reduce operating costs.

Our goals going forward

- Continue engaging our communities with activities that address health-related needs and promote accessibility, awareness and education
- Refine data collection for employee training and development and injury rates
- Expand our in-kind medicine donations to assist more people
- Continue to explore new channels of employee engagement that encourage innovation
- Ensure our supply chain is aligned with the principles of the Modern Slavery Act by expanding the scope of our supplier audits
- Continue to seek opportunities to promote energy efficiency and the use of renewable energy technology

1. Based on IEA 2015 US electricity grid emission factor of 0.4556 tCO_2e/ kWh.

Risk management

Managing the uncertainties

In 2016, we introduced an Enterprise Risk Management framework. This year, we have focused on embedding it using new technologies.

> We recognise that effective management of risk is fundamental to delivering long-term success for the Group."

Risk management framework

Risk context

We develop, manufacture and market a broad range of branded and non-branded generic pharmaceutical products across the US, the Middle East and North Africa (MENA) and Europe. We are also a leading licensing partner in MENA.

Risks are inherent for our business. They may be associated with meeting the expectations of our stakeholders, establishing and achieving our strategic objectives, the efficient execution of our core processes, or through key relationships and dependencies.

See the Our markets section on page 20 and the Our business model section on page 22 for more detail on the external and internal context for risk management.

Risk strategy

We recognise that effective management of risk is fundamental to delivering long-term success for the Group. We are embedding an enterprise risk management approach to ensure that we fulfil our obligations, have assurance that our activities are appropriately controlled, consider risk in our decisions, and establish effective and efficient strategic, tactical, operational and compliance processes.

Risk appetite

The Board determines the nature and extent of the principal risks it is willing to take and communicates this through the Group risk appetite. The risk appetite outlines expected management approaches and details limits and tolerances on risk exposure for each of the principal risks. The risk appetite is monitored on an ongoing basis, and reviewed and updated annually. The risk appetite forms the foundation of the enterprise risk management framework, and guides management decision making across the Group.

Risk governance

The Board has ultimate responsibility for the Group's overall approach to risk management and internal control.

On behalf of the Board, the Audit Committee oversees risk management for the Group in the context of its responsibilities for internal control. The Audit Committee reviews the material risks facing the Group taking into account different sources of assurance including executive risk management, internal audit and external audit.

Internal audit provides independent assurance of the Group's risk management and internal control systems. For more details on our internal audit approach see page 80.

The enterprise risk management office facilitates and monitors the implementation of effective risk management practices by management and assists global risk owners in reporting their risks.

Compliance and control functions are in place across the organisation that have specialist expertise in managing risk in particular areas.

The CEO and Executive Committee have direct ownership of risk management for the Group and risk considerations are incorporated into their management responsibilities and decision making.

As part of the risk governance framework, senior executives are assigned global risk owner responsibility for each of the principal risks.

Global risk owners coordinate risk management activities across the organisation to ensure risk exposure is managed to the risk appetite.

Risk governance

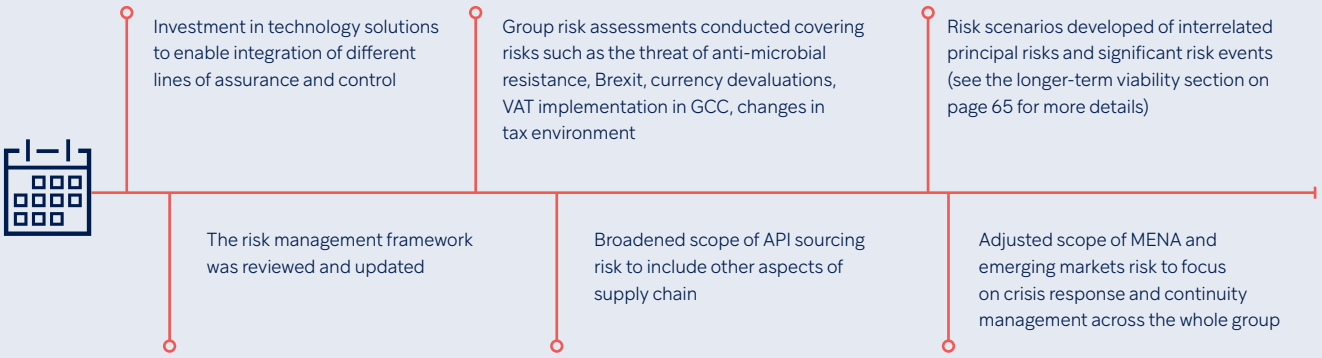
Communication ↓ Reporting ↑

Board of Directors	– Define the Group's risk appetite – Determine principal risks and uncertainties – Responsible for effectiveness of the risk management framework – Review risk management key outcomes
Audit Committee	– Oversee design and implementation of risk management framework and report to the Board – Review risk and assurance reports from management, internal audit and external audit – Consider risks highlighted by Compliance, Responsibility and Ethics Committee – Review external communications and disclosures
Executive Committee	– Review regular risk and assurance reports to ensure Group operates within risk appetite – Take portfolio view of exposure for the organisation and consider interrelation of risks and significant emerging risks – Make decisions on prioritisation for risk response
Internal audit	– Provide independent assurance of the effectiveness of the Group's risk management and internal control systems
Enterprise risk management office	– Facilitate and monitor the implementation of effective risk management practices by management and assist global risk owners in reporting their risks
Compliance and control functions	– Support management policies, defining roles and responsibilities, and setting goals for implementation
Global risk owners	– Implement the risk management process and identify, assess and manage risks within the business on a daily basis – Coordinate risk management activities across the organisation – Report on risk management status
Divisional risk owners and management teams	– Own and manage risks – Implement group wide policies and procedures – Implement and monitor internal controls

Risk management activities

Risk management activities occur at all levels of the organisation on an ongoing basis. The risk governance framework provides structure for these activities to ensure consistency of approach, alignment to the risk appetite and monitoring of risk management performance. In addition to the core reporting and communication processes described through the risk governance framework, key risk management activities during the year included:

Key risk management activities



Brexit

Our risk assessment for the UK withdrawal from the European Union considers different Brexit scenarios and the wide range of implications that may impact our business. Our current view is that the exposure for Hikma is low and manageable. We have a small footprint in the UK, and as a result limited dependence on movement of people, goods, services and capital between the UK and Europe. We continue to monitor the situation as it develops and assess implications for our business.

Priorities for 2018

In addition to our core risk management activities, in 2018 we will strengthen our global risk management process, further deploy our risk management technology, develop our risk culture, and strengthen partnerships between compliance and control functions to enhance our risk management capability and bring greater assurance for the Group.

Principal risks and uncertainties

The Group faces risks and uncertainties that could have a material impact on its earnings and ability to trade in the future. These are determined via robust assessment considering our risk context by the Board of Directors with input from executive management. These risks and uncertainties are set out below. The contents of this table should not be considered as an exhaustive list of all the risks and uncertainties the Group faces. The Board is satisfied that these risks are being managed appropriately and consistently with the target risk appetite.

Industry earnings

Description	Mitigating actions
The commercial viability of the industry and business model we operate may change significantly as a result of political action, economic factors, societal pressures, regulatory interventions or changes to participants in the value chain of the industry.	— Securing of key talent to manage complex commercial environment and develop business — Growth and expansion in new markets, with new products and in new therapeutic areas — Portfolio management programme to focus on strategic products that support revenue, profit and margin targets — Development of capacity, diversification of capability through differentiated technology, and investment in local markets — Active product life cycle and pricing management across all regions — Continuous alignment of commercial and R&D organisations to identify market opportunities and meet demand through internal portfolio — Collaboration with external partners for development and in-licensing partnerships

Product pipeline

Description	Mitigating actions
Identifying, developing and registering supply of new products from the pipeline that meet market needs to provide continuous source of future growth.	— Partner marketing and business development departments to monitor and assess the market for arising opportunities — Expansive global product portfolio with increased focus on high value and differentiated products — Experienced internal R&D teams developing products and overseeing joint venture activities — Product related acquisitions bolster pipeline — Third party pharmaceutical product specialists brought in to assist in the development of manufacturing processes for new generic products

Organisational development

Description	Mitigating actions
Developing, maintaining and adapting organisational structures, management processes and controls, and talent pipeline to enable effective delivery by the business in the face of rapid and constant internal and external change.	— Strengthening executive experience with key talent appointed to fill strategic global positions, including appointment of new CEO — Investment in Group-wide human capital management system — Developing global HR programmes that attract, manage and develop talent within the organisation — Review of organisation design, structures and accountabilities to maintain empowerment in decision making and bring appropriate level of governance

Principal risks and uncertainties continued

Reputation

Description	Mitigating actions
Building and maintaining trusting and successful partnerships with our many stakeholders relies on developing and sustaining our reputation as one of our most valuable assets.	– Launch of new corporate brand to better communicate our values, purpose and strategy (see page 8 for more details) – Internal and external monitoring for early detection and monitoring of issues that may impact reputation – Investment and group alignment of corporate responsibility and ethics through transparent reporting and compliance with global best practices and strategic industry and community partnerships – Communication and engagement programmes on appropriate use of products – Globalising communication and corporate affairs capabilities

Ethics and compliance

Description	Mitigating actions
Maintaining a culture underpinned by ethical decision making, with appropriate internal controls to ensure staff and third parties comply with our Code of Conduct, associated principles and standards, as well as all applicable legislation.	– Board level oversight from the Compliance, Responsibility and Ethics Committee (see page 84 for details) – Code of Conduct approved by the Board, translated into seven languages and rolled out to all employees – Active participation in international anti-corruption initiatives – Anti-bribery and corruption, sales and marketing, and other compliance programmes implemented and monitored through internal compliance assessments – Development of third party due diligence and oversight programme

Information, technology and infrastructure

Description	Mitigating actions
Ensuring integrity, confidentiality and resilience of data, securing information stored and/or processed internally or externally, maintaining and developing technology systems that enable business processes, and in ensuring infrastructure supports the organisation effectively.	– IT organisational structure designed to enable coordinated, consistent and comprehensive enterprise approach – Industry-standard information security solutions and best practice processes adopted and adapted for local and Group requirements – Cyber-risk activity monitored and changes implemented as necessary to combat evolving threats – Partnership established with strategic third parties to implement and maintain a robust Group-wide information security framework – Investment in enterprise-wide standardisation initiative incorporating data management, access and process control and risk management

Legal, regulatory and intellectual property

Description	Mitigating actions
Adapting to changes in laws, regulations and their application, managing litigation, governmental investigations, sanctions, contractual terms and conditions and potential business disruptions.	— Internal expertise drives awareness and understanding through policies, processes, and compliance culture — Staff trained and contractual terms established to mitigate or lower risks where possible — Expert external advice procured to provide independent services and ensure highest standards — Board of Directors and executive management provide leadership and take action

Inorganic growth

Description	Mitigating actions
Identifying, accurately pricing and/or realising expected benefits from acquisitions or divestments, licensing, or other business development activities.	— The mergers and acquisitions team undertake extensive due diligence of each acquisition in partnership with external advisers including financial and legal advisers, investment banks, and industry specialists in order to strategically identify, value, and execute transactions — Executive Committee reviews major acquisitions before they are considered by the Board — The Board is willing and has demonstrated its ability to refuse acquisitions where it considers the price or risk is too high — Dedicated integration project teams are assigned for the acquisition, which are led by the business head responsible for proposing the opportunity. Following the acquisition of a target, the finance team, the management team and the Audit Committee closely monitor its financial and non-financial performance — Post transaction reviews highlight opportunities to improve effectiveness of processes

Supply chain and API sourcing

Description	Mitigating actions
Maintaining continuity of supply of finished product and managing cost, quality and appropriate oversight of third parties in our supply chain. API and raw materials represent one of the Group's largest cost components. As is typical in the pharmaceuticals industry, a significant proportion of the Group's API requirements is provided by a small number of API suppliers.	— Implementing comprehensive Group-wide third party management solution for suppliers — Maintaining alternative API suppliers for the Group's top strategic products, where possible — Rigorous selection process for API suppliers and focus on building long-term supply contracts — The Group has a dedicated plant in Jordan that can synthesise strategic injectable APIs where appropriate — Utilising supply chain models to maintain adequate API levels — Strengthening trade compliance capability to ensure compliance and drive efficiency — Serialisation programme ensuring roll out across the Group

Principal risks and uncertainties continued

Crisis response and continuity management

Description	Mitigating actions
Preparedness, response, continuity and recovery from crisis events such as natural catastrophe, economic turmoil, operational issues, political crisis, regulatory intervention.	– Central oversight being established of systems, processes, and capabilities to enhance our Group-wide resilience and preparedness – Programme being rolled out to enhance our ability to respond effectively to crises, and to expedite the restoration of critical processes after disruption – Engagement with key third parties involved in preparedness, response and recovery – Corporate insurance programme reviewed and updated to ensure appropriate coverage of high impact low likelihood events

Product quality

Description	Mitigating actions
Maintaining compliance with current Good Practices for Manufacturing (cGMP), Laboratory (cGLP), Distribution (cGDP) and Pharmacovigilance (cGVP) by staff, and ensuring compliance is maintained by all relevant third parties involved in these processes.	– Quality culture driven throughout the organisation by global Quality office initiatives, and regularly reinforced by communication from senior executives – Global implementation of quality systems that guarantee valid consistent manufacturing processes leading to the production of quality products – Facilities are maintained as inspection ready for assessment by relevant regulators – Documented procedures are continuously improved and staff receive training on those procedures on a regular basis – Continued environment and health certifications – Global pharmacovigilance programme in place and being enhanced

Financial control and reporting

Description	Mitigating actions
Effectively managing treasury activities, tax position, income, expenditure, assets and liabilities, and debtors, and reporting accurately and in a timely manner in compliance with statutory requirements and accounting standards.	– Extensive financial control procedures implemented and assessed annually as part of the internal audit programme – A network of banking partners maintained for lending and deposits – Management monitors debtor payments and takes precautionary measures and action where necessary – Where it is economic and possible to do so, the Group hedges its exchange rate and interest rate exposure – Management obtains external advice to help manage tax exposures and has upgraded internal tax control systems – Introduction of new automated financial consolidation module

Longer-term viability

In accordance with the UK Corporate Governance Code, the longer-term viability of the Group is assessed for a period longer than the 12 months required by the going concern statement. This assessment takes into account our current position and prospects, our principal risks and uncertainties, and the assumptions that are part of our financial modelling.

Viability period

The assessment of the viability of the Group is over a period of three years. This is the timeframe for acquisitions and business opportunities to mature and to become integrated businesses, and for pipeline products that have been transferred or developed to contribute as marketed products. As such, three years is considered to be the most appropriate period. We recognise that the accuracy is greater in the nearer term than it is towards the end of the viability period.

Assessment of position and prospects

Hikma operates in the relatively defensive generic pharmaceuticals industry which we expect to be less affected by economic downturns compared to other industries. There are a range of specific risks to the industry and the business which are set out on pages 61 to 64. We are well diversified due to our geographic spread, product diversity and large customer and supplier base – see the Our market section on page 20 and the Our business model section on page 22 for further details.

The position and prospects of the Group are assessed at each Executive Committee meeting and at the end of the financial year considering strategic and operational updates from each member of the executive team, financial reporting and forecasting from the Chief Financial Officer, and through the development of a business plan that takes into account our current position, an assessment of uncertainty facing the business, and known changes to our organisation and business model.

These assessments are presented to the Audit Committee and Board of Directors. The Directors also receive regular updates on operational, strategic and financial matters from executives.

Assumptions

The financial modelling over the viability period is subject to a number of assumptions related to:

- Introduction and commercialisation of new products
- Market share and product demand rates
- Foreign exchange rates
- Continuation of elevation of certain product prices
- Political and social stability in the markets
- Ability to re-finance existing debt on similar terms
- Cash flow generation from newly acquired businesses
- Ability to increase operational efficiency and reduce central costs
- The effective tax rate being within the current guidance range

Assessment of viability, stress testing and sensitivity analysis

Management defined several realistic risk scenarios that could impact the business adversely and modelled the potential financial impact of these over the forecast period. The risk scenarios were chosen considering the Group's strategic objectives, the principal risks and uncertainties (see pages 61 to 64), and the financial modelling assumptions listed above. Realistic but extremely severe adjustments were applied to the financial models for the viability assessment, and for stress testing and sensitivity analysis:

- Scenario 1: Industry earnings: significant adverse changes to the pricing environment in the US
- Scenario 2: Product pipeline: failure of pipeline to deliver strategic new products
- Scenario 3: Product quality: prolonged closure of one of our major US-FDA approved facilities
- Scenario 4: Crisis response and continuity management: escalation of political or social instability in one of our major MENA markets
- Scenario 5: Industry earnings: devaluation of key currencies
- Scenario 6: Supply chain and API: long-term shortage of API for strategic product from supplier

The assessment and analysis considered the availability and likely effectiveness of mitigating actions that could be taken in the circumstances to manage the impact of the risks.

Ongoing implementation of enterprise risk management and investment in infrastructure and change programmes are not included in the modelling, but are anticipated to enhance organisational resilience and support longer-term viability.

Board of Directors' viability statement

The Directors, having considered the above matters, confirm that they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the viability period.

Going concern

The Directors considered the going concern position of the Group during the year and at the financial year-end. The Directors believe that the Group is adequately placed to manage its business and financing risks successfully despite current uncertainties. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence, therefore the Directors continue to adopt the going concern basis in preparing the financial statements.

In confirming the going concern position, the Directors took into account a full assessment of the Group's position, including the following matters:

- Cash flow: Net cash flow from operating activities in 2017 was $443 million (2016: $293 million).
- Net debt: The Group's overall net debt position was $546 million at 31 December 2017 (2016: $698 million) and is circa 1.2 times EBITDA (2016: 1.4 times).
- Borrowing capacity: The Group has $1,063 million (2016: $1,109 million) of undrawn short-term and long-term banking facilities, in addition to $238 million (2016: $180 million) of unutilised import and export financing limits. These facilities are well diversified across the subsidiaries of the Group and are with a number of financial institutions.
- Forecasting: The Group's forecasts, taking into account reasonable possible changes in trading performance, facility renewal sensitivities, and maturities of long-term debt, show that the Group should be able to operate well within the levels of its facilities and their related covenants.