

**Better health.
Within reach.
Every day.**



Hikma Pharmaceuticals PLC
2017 Preliminary Results

hikma.

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Strategic highlights



Group highlights

2017 financial highlights

\$1.94b

Revenue

2016:
\$1.95b

\$386m

Core operating profit

2016:
\$419m

19.9%

Core operating profit margin

2016:
21.5%

105 cents

Core basic earnings per share

2016:
118.5 cents

\$443m

Operating cash flow

2016:
\$293m

- ▲ Group revenue down 1% and up 1% on a constant currency basis
- ▲ Core¹ operating profit of \$386 million and core operating profit margin of 19.9%
- ▲ Strong cash flow generation, providing strategic and financial flexibility
- ▲ Launched 44 new compounds across all markets, expanding our global product portfolio
- ▲ Incurred an exceptional impairment of \$1,084 million due to revaluation of West-Ward Columbus business
- ▲ Siggí Olafsson appointed Chief Executive Officer

¹ Core results are presented to show the underlying performance of the Group, excluding exceptional items and other adjustments

Segment highlights

Benefiting from our diversified business model

	Highlights	2017 Revenue contribution	2017 Segment operating profit contribution ¹
Injectables	<ul style="list-style-type: none"> ▲ Remained resilient in the face of new competition ▲ Expanded manufacturing capability ▲ Continued to transfer and launch Bedford products ▲ Licensed from Celltrion third biosimilar product in MENA 	<p>40%</p>	<p>70%</p>
Generics	<ul style="list-style-type: none"> ▲ Faced significant price and volume erosion ▲ Improved customer relationships and service levels ▲ Continued to cut costs and drive efficiencies ▲ Initiating new clinical endpoint study for Advair Diskus® 	<p>32%</p>	<p>5%</p>
Branded	<ul style="list-style-type: none"> ▲ Expanded licensing agreement with Takeda ▲ Launched 6 first generics in Saudi Arabia ▲ Drove strong demand for higher value products in Egypt ▲ Acquired local manufacturing in Algeria 	<p>28%</p>	<p>25%</p>

¹ Core operating profit is \$386 million. Before unallocated corporate costs of \$61 million and operating loss from Other business of \$4 million, operating profit contribution from business segments is \$451 million.

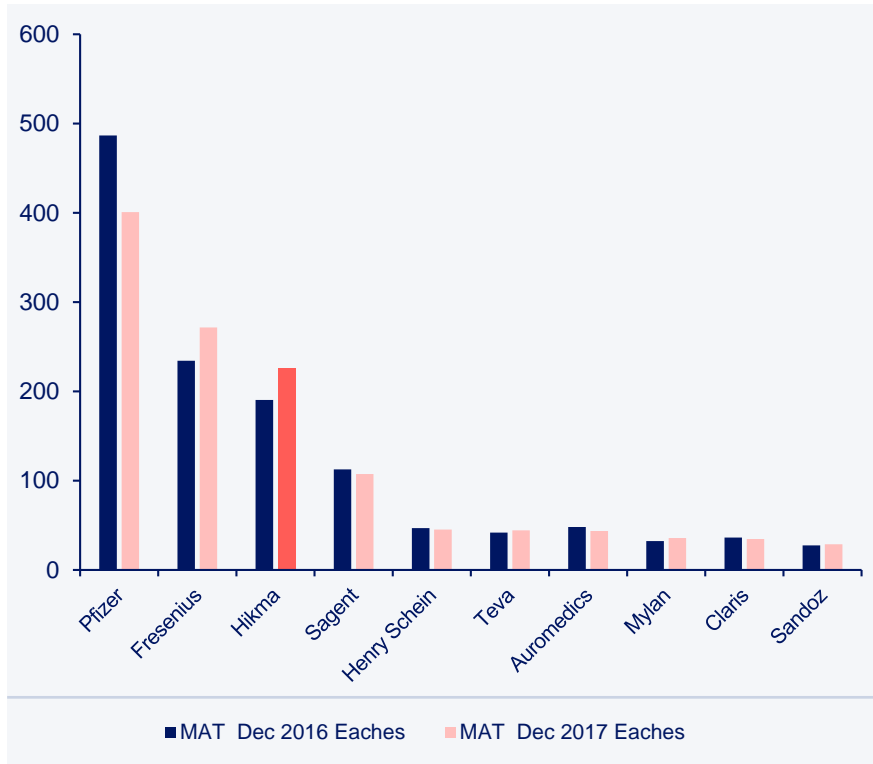
Injectables

Increasing our market share in the US generic injectables market



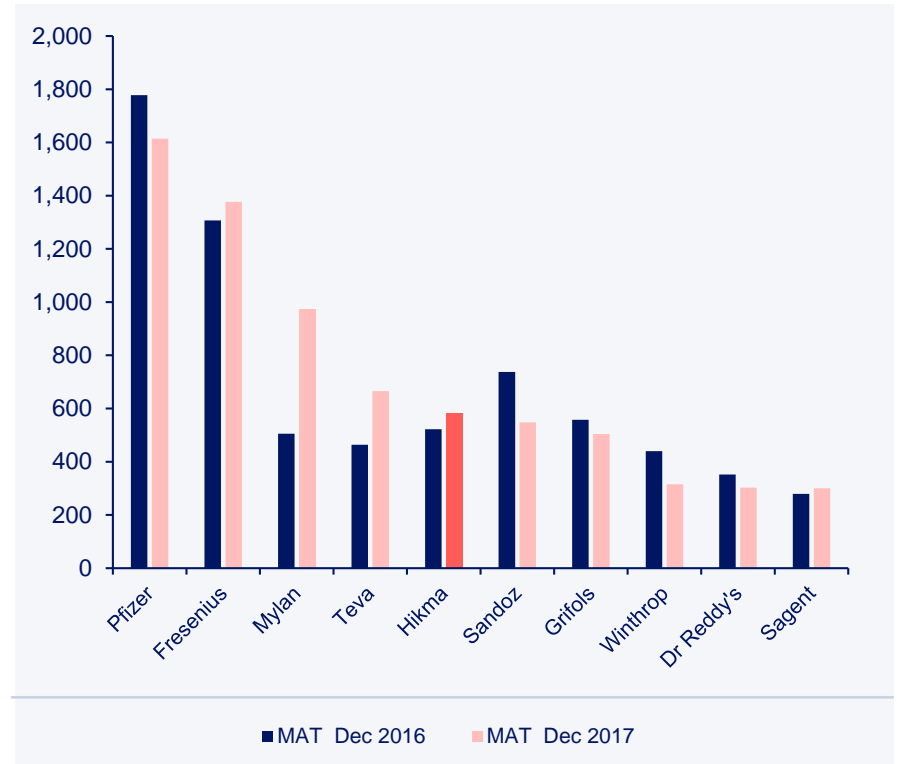
US generic injectables market share¹

December 2017 (eaches)



US generic injectables market share¹

December 2017 (sales)



Market share

	2016	2017
Volume	12.7%	14.9%

Market share

	2016	2017
Value	5.5%	5.9%

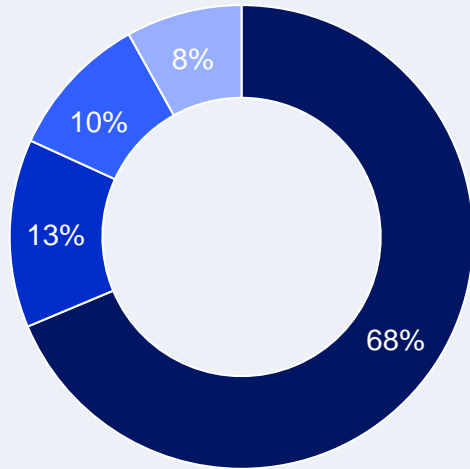
¹ IQVIA US 2018

Injectables

Benefitting from a broad portfolio and barriers to entry

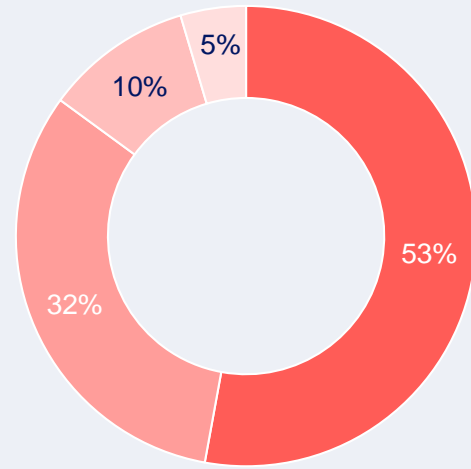


US Injectables products by revenue contribution



- <\$5million
- \$5 million - \$10 million
- \$10 million - \$20 million
- >\$20 million

US Injectables portfolio by number of competitors¹



- ≤ 2
- 3 - 5
- 6 - 8
- ≥ 9

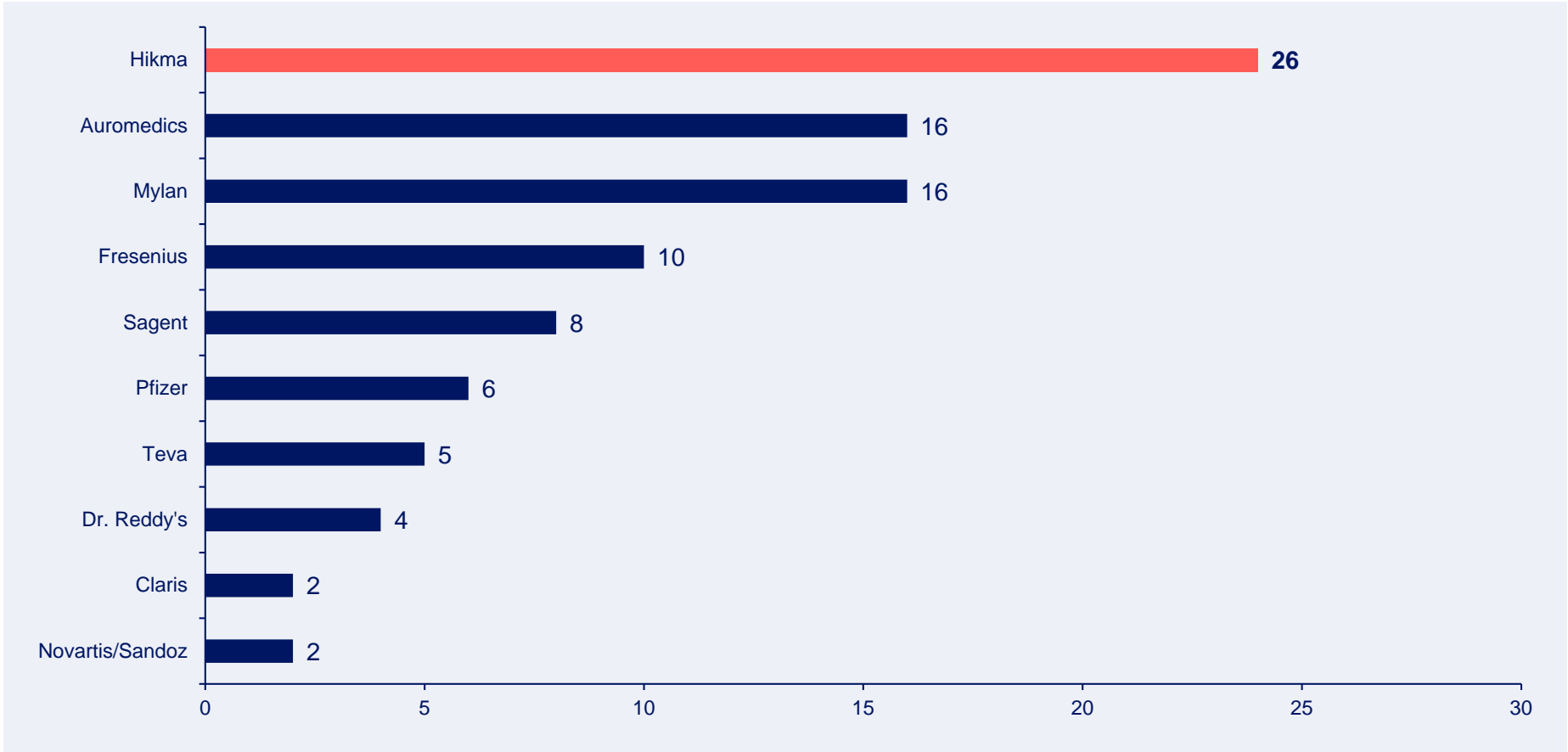
¹ IQVIA US 2018

Injectables

Leading the market in new launches



Number of Injectable launches in the US 2016 - 2017¹



¹IQVIA US 2018 and Hikma internal data

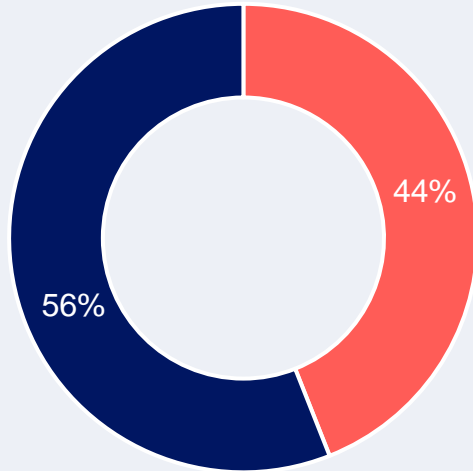
Injectables

Focusing on new therapeutic entities, differentiated delivery forms and more complex products



US Injectables pipeline

Addressable market size >\$5 billion¹



- Filed
- In-development

Type of product

Presentations²

Prefilled syringes and autoinjectors	27
Infusion bags	47
Lyophilized	47
Complex	13
Small and large parenterals	89
TOTAL	223

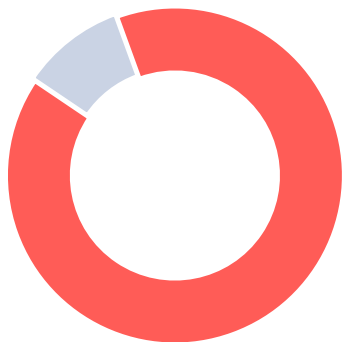
¹QVIA US 2018

²Unique product form and dose

US generic market environment

Customer consolidation and increased competition is driving significant price erosion

Customer consolidation¹



Econdisc
Contracting Solutions



ClarusONE
Sourcing
Services

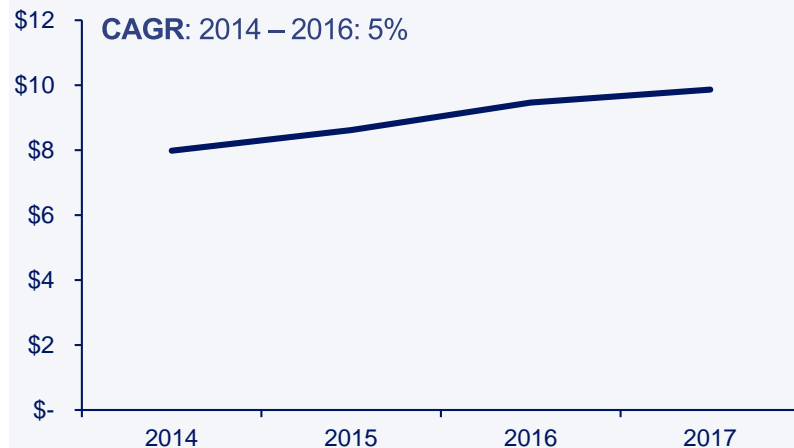
MCKESSON

RED OAK SOURCING
VALUE. VISION. INNOVATION.

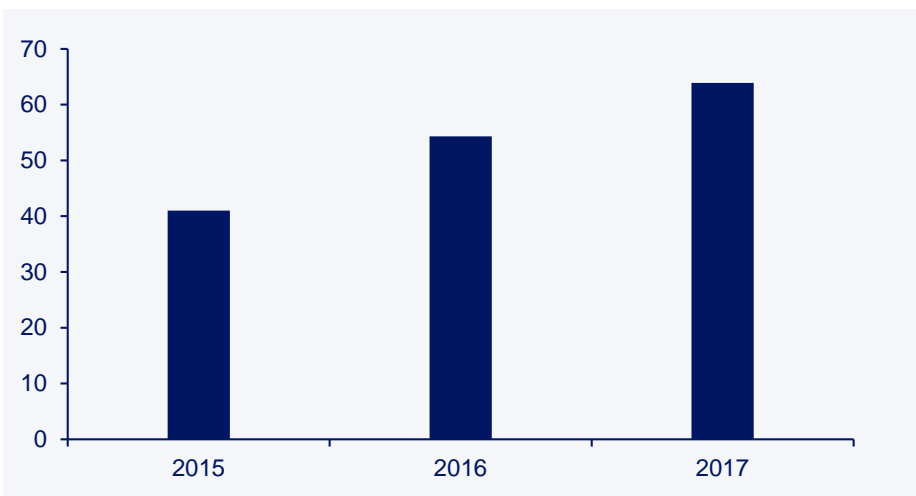
90% of all non-injectable generic products are bought by **3** customer groups

Injectable generic market sales by year¹

(\$billions)

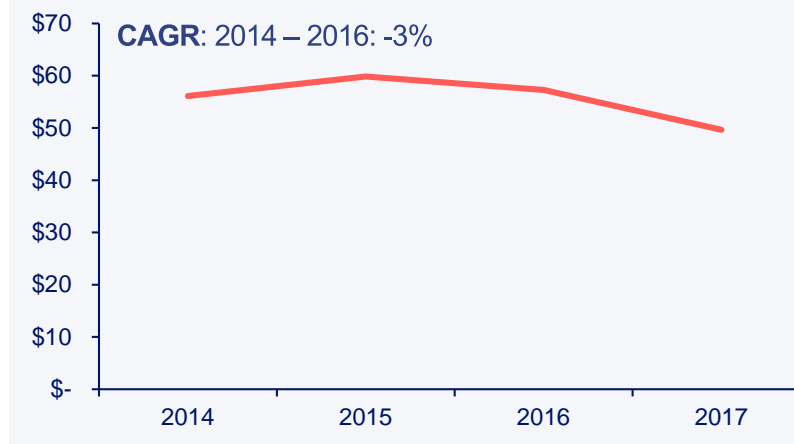


Approved ANDAs per month¹



Non-injectable generic market sales by year¹

(\$billions)



¹ IQVIA

Generics

Focusing on strengthening customer relationships to maximise the potential of our portfolio



Our customers value:

We are:

Quality

- ▲ Commitment to quality
- ▲ No supply interruptions due to quality issues



Focusing on improving service levels

Products

- ▲ Breadth of portfolio: differentiated, difficult to source, or low-cost
- ▲ Continuity of supply



Investing in our pipeline to bring differentiated products to the market

Price

- ▲ Low-cost for competitive items
- ▲ Cost of entry



Working to lower cost-base to be more competitive on price

Relationship management

- ▲ Long-term value versus short-term wins
- ▲ Integrity, trust, and credibility



Strengthening our commercial team through new leadership and expansion

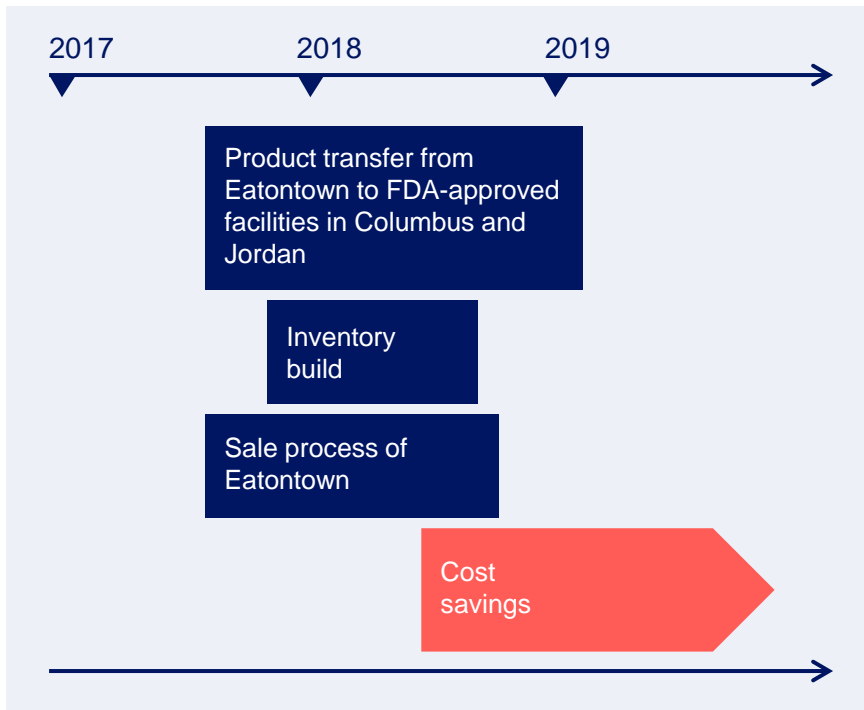
Generics

Driving further cost savings to improve profitability



Consolidation of our manufacturing and distribution centres

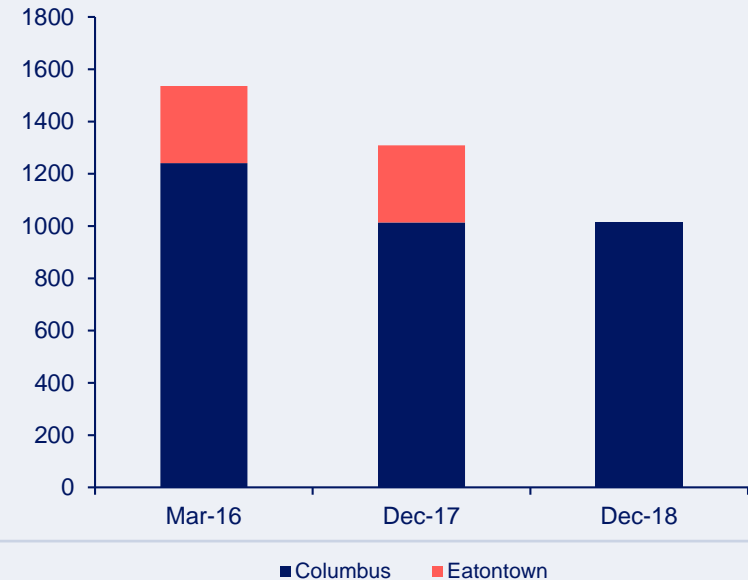
- ▲ Consolidation of Generics manufacturing facilities and distribution centres underway
- ▲ Building product inventory to ensure continuity of supply for customers



Striving for a leaner workforce

- ▲ Significant headcount reduction since acquisition
- ▲ Further reduction expected from consolidation of manufacturing facilities

Generics headcount reduction 2016 – 2018E



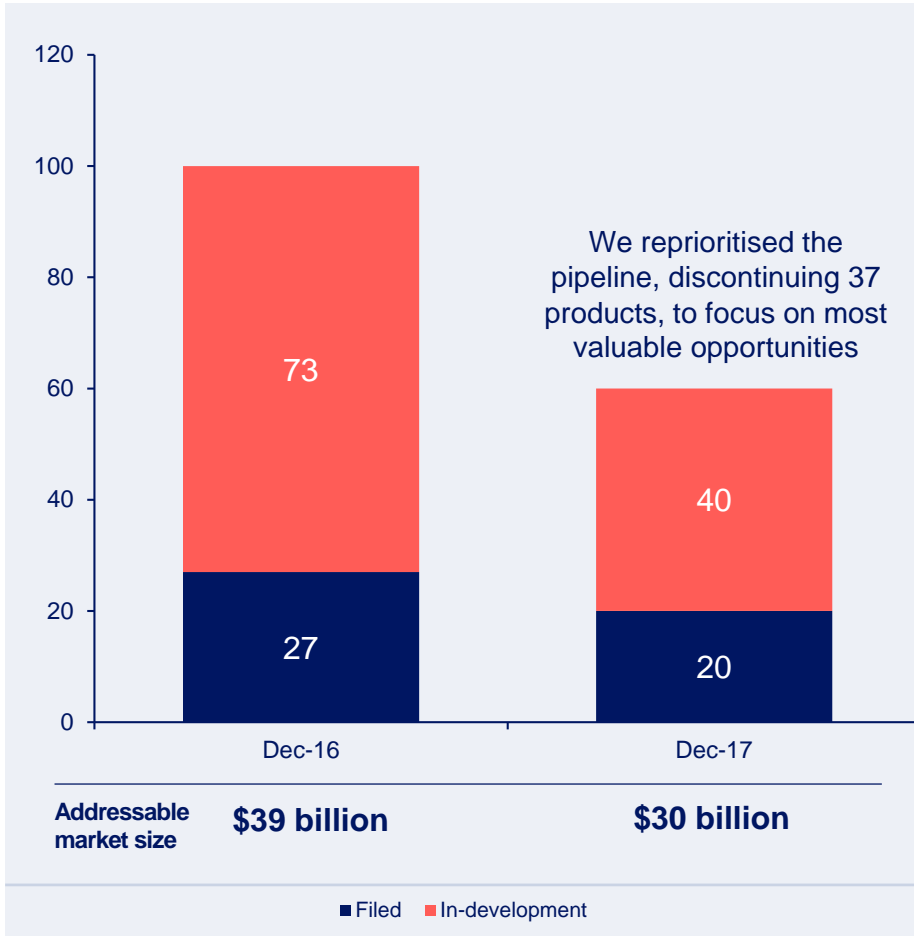
Generics Pipeline

Focusing on higher-value opportunities



Generics pipeline¹

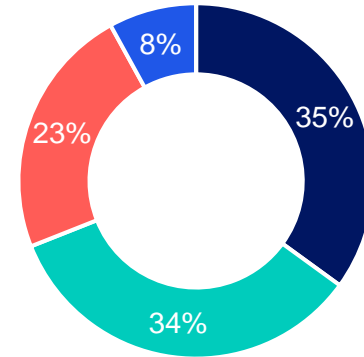
December 2016 – December 2017



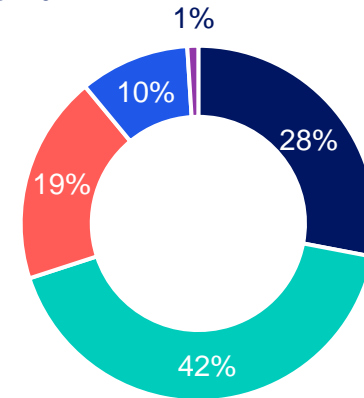
¹ Does not include 10 molecules with FDA Tentative Approval (as at 31 December 2017).

Pipeline by layers of differentiation

December 2016



December 2017



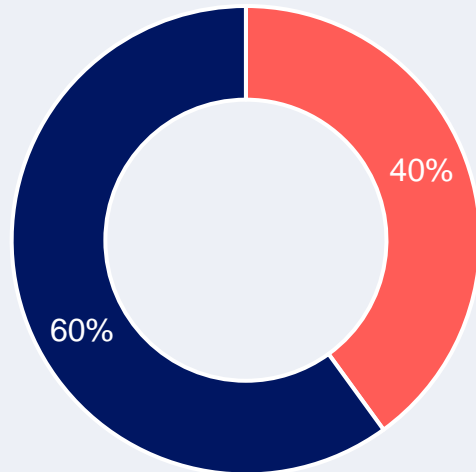
- One layer
- Two layers
- Three layers
- Four layers
- Five layers

Generics

Bringing first-wave generics to market



Proportion of PIV¹ products in pipeline



- PIV
- Other

Disclosed Generics PIV pipeline

Zytiga®

Janssen

Ampyra®

Acorda

Tarceva®

Genentech

Afinitor®

Novartis

Vascepa®

Amarin

Fetzima®

Allegran

Norvir®

AbbVie

Banzel®

Eisai

Saphris®

Allergan

Xtandi®

Astellas

Zortress®

Novartis

Uloric®

Takeda

Gleevec®

Novartis

Noxafil®

Merck

Banzel®

Eisai

Xyrem®

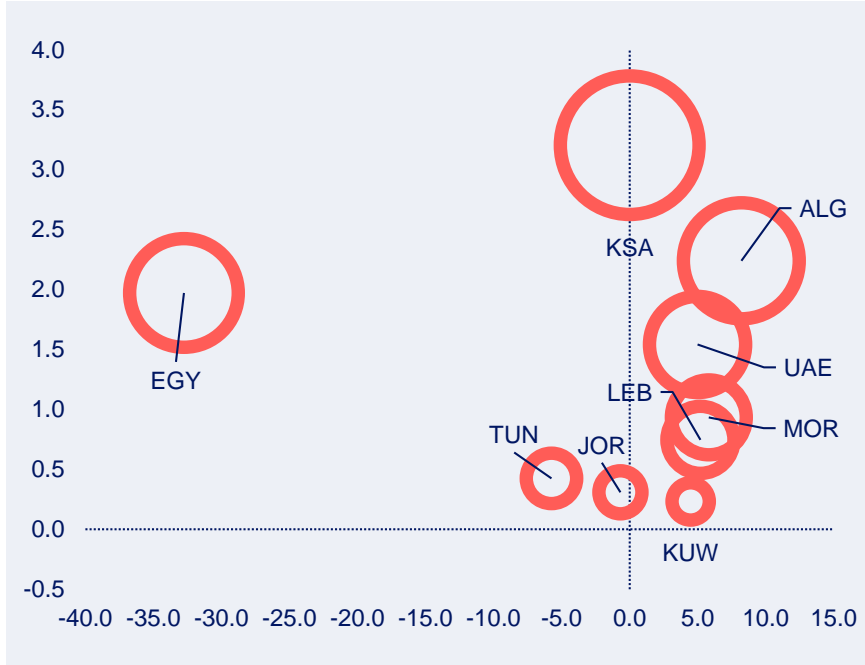
Jazz

¹ Paragraph IV

Branded
Strong fundamentals continue to support MENA growth



Growth vs. Size (USD)¹
2016 - 2017



Market growth (USD) **-5.3%**

Growth vs. Size (local currency)¹
2016 - 2017



Market growth (Local currency) **7.2%**

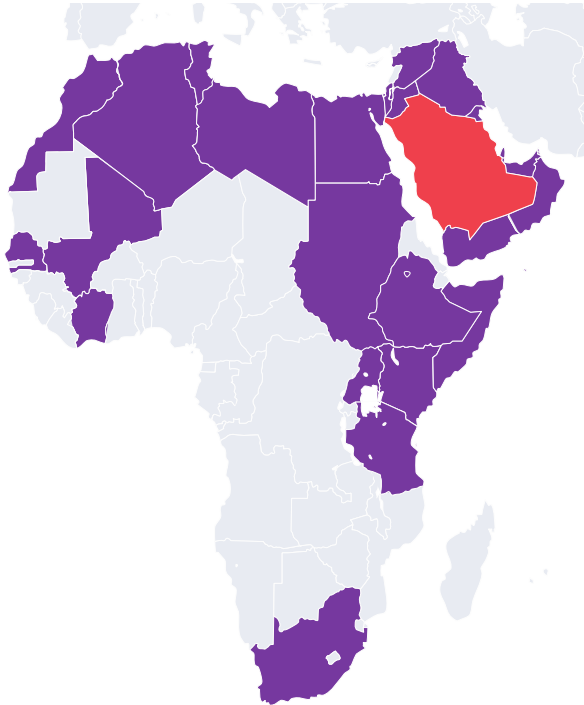
¹ IQVI MIDAS 2017



Saudi Arabia

The local market

- ▲ Market size: **\$3.2 billion**
- ▲ **0% growth** 2016-2017



Our performance



Largest pharmaceutical company



Branded revenue contribution



Growth 2016-2017 in constant currency

- ▲ Changes in government regulation and economic sentiment impacting Saudi Arabian pharma market growth
- ▲ Hikma is growing faster than the local pharma market
- ▲ Strong growth driven by new launches in key therapeutic areas
- ▲ 9 new product launches in 2017
 - 6 first generics
 - 2 second generics
 - 1 in-licensed product

Branded

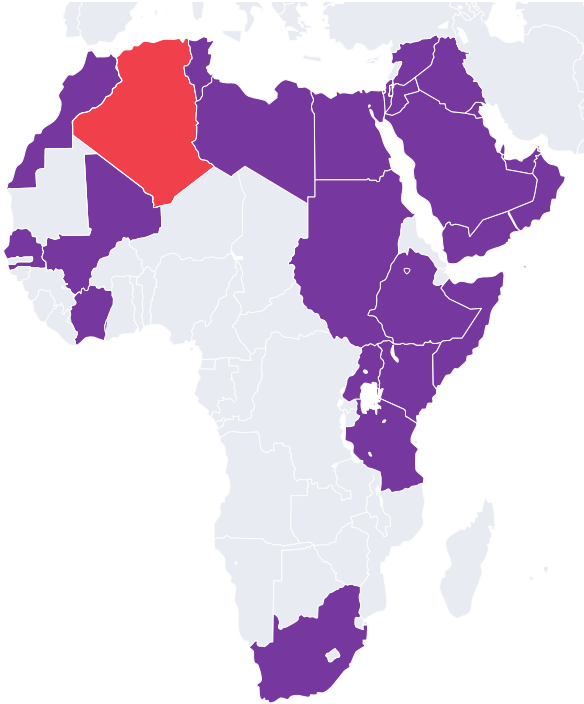
Strengthening our local presence in Algeria to support future growth



Algeria

The local market

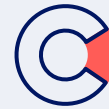
- ▲ Market size: **\$2.2 billion**
- ▲ **10% growth** 2016-2017 in constant currency



Our performance



Largest pharmaceutical company



Branded revenue contribution



Growth 2016-2017 in constant currency

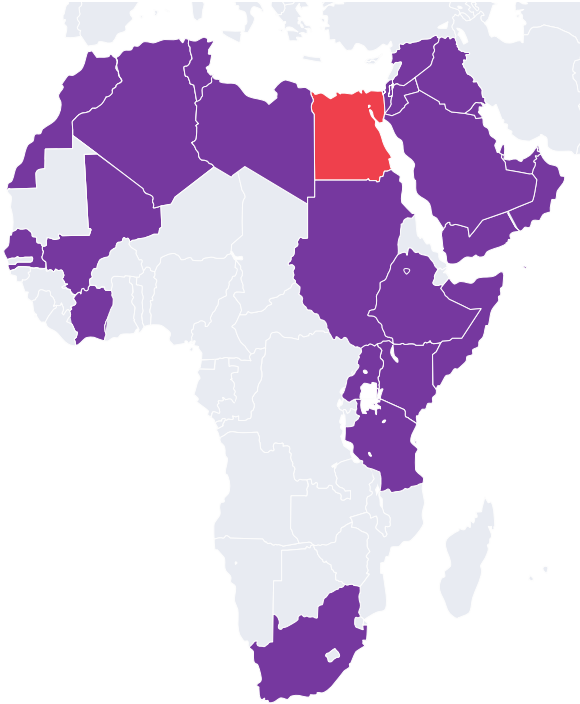
- ▲ Algerian pharma market experienced strong growth in 2017
- ▲ Hikma was impacted by increased import restrictions
- ▲ Acquisition of small ready-to-use plant enables us to increase local production
- ▲ Upgrades to our existing facility will enable us to produce new in-licensed products



Egypt

The local market

- ▲ Market size: **\$2.0 billion**
- ▲ **25% growth** 2016-2017 in constant currency



Our performance



Largest pharmaceutical company



Branded revenue contribution



Growth 2016-2017 in constant currency

- ▲ Egyptian pharma market growth reached 25% in local currency, driving underlying demand
- ▲ Hikma's strong performance enhanced by:
 - Increased sales on high value products
 - New opportunities resulting from shortages following the devaluation of the Egyptian pound
 - Increased export business

Branded

Reinforcing our position as a partner of choice in MENA



Increasingly, leading multi-national pharmaceutical companies are approaching us to form partnerships, recognising our unique skills and experience



Partnerships with
52 companies



More than
85 products
licensed



Doubled the
number of
partnership
agreements over the
last 10 years



37% of Branded
revenue from in-
licensed products

Our strategy

Establishing Hikma as a leader across our markets



Financial highlights



Group financial highlights

Delivered a solid performance in a challenging year

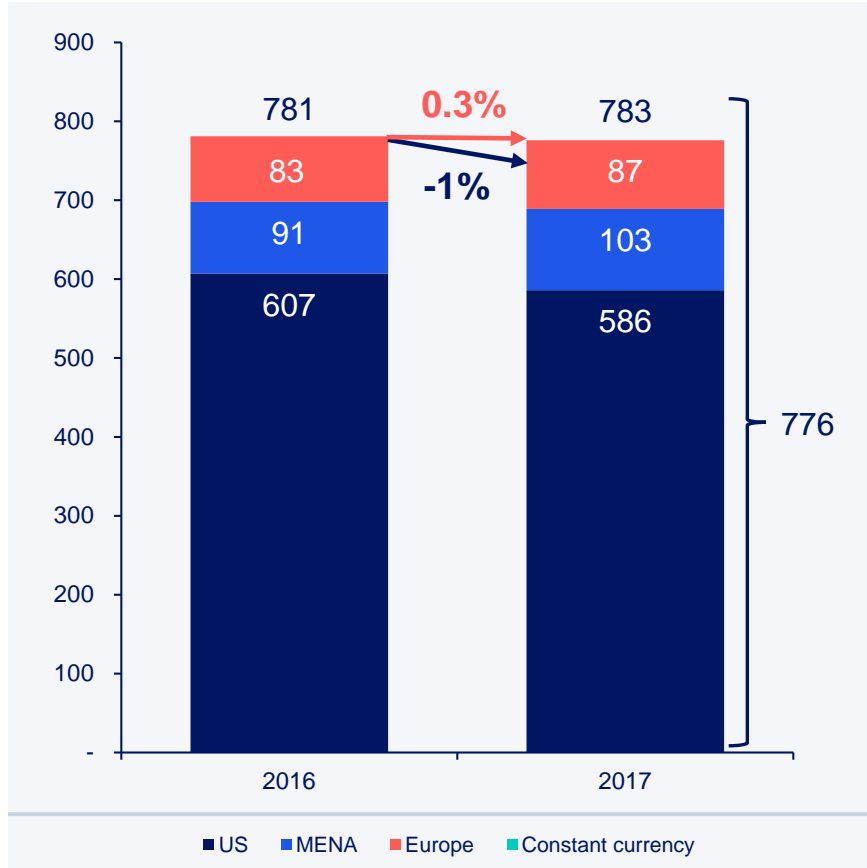


Injectables

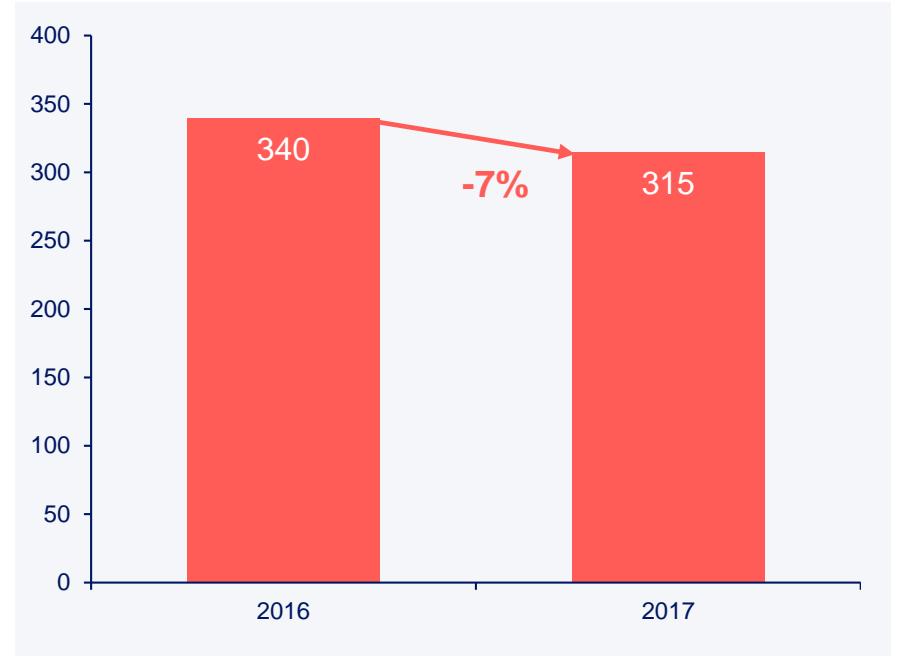
Maintained strong profitability



Revenue (\$ million)



Core¹ operating profit (\$ million)



Operating margin

	2016	2017	Change	2017 Constant currency	Change
Reported	40.0%	37.8%	-2.2pp	37.5%	-2.5pp
Core ¹	43.5%	40.6%	-2.9pp	40.0%	-3.0pp

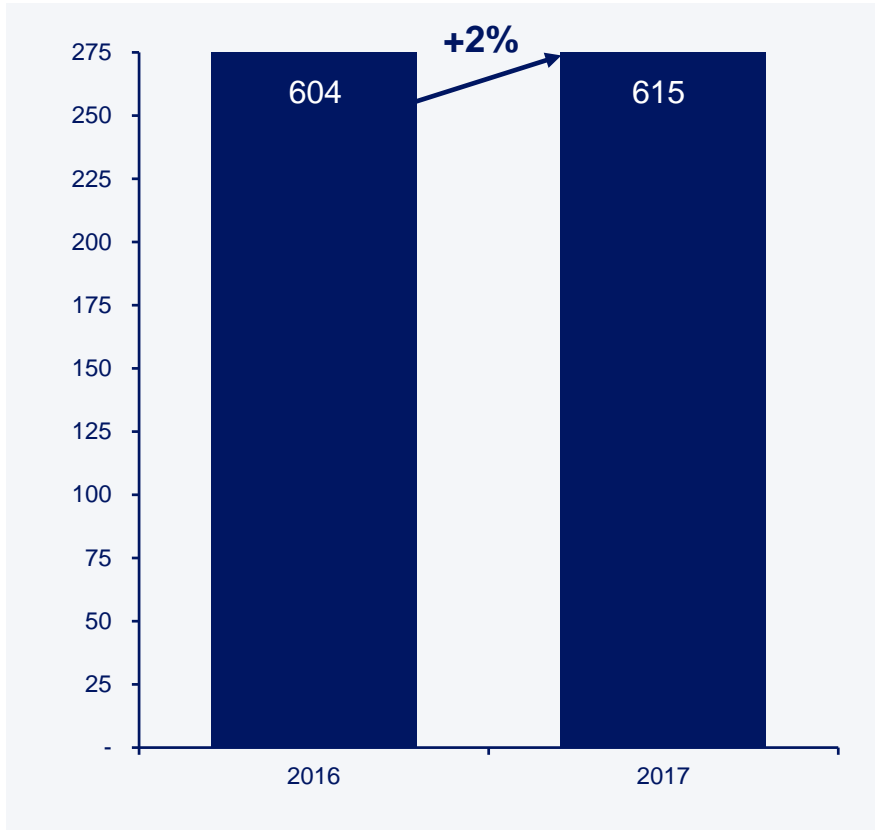
¹ Before the amortisation of intangible assets other than software and exceptional items

Generics

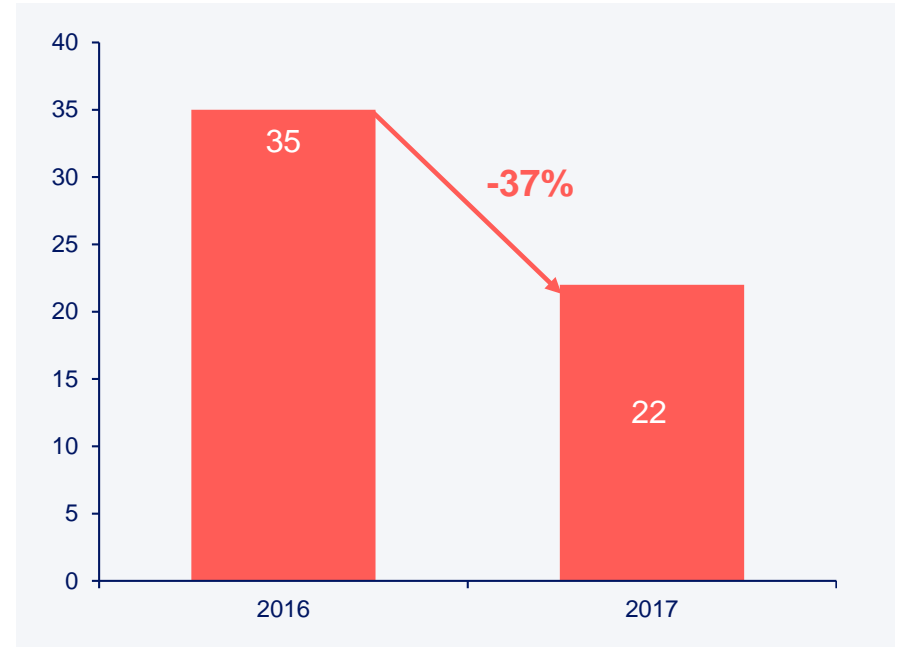
Revenue growth and profitability impacted by significant industry headwinds



Revenue (\$ million)



Core¹ operating profit (\$ million)



Operating margin

	2016	2017	Change
Reported	-2.4%	-175.9%	-178.3pp
Core ¹	5.8%	3.6%	-2.2pp

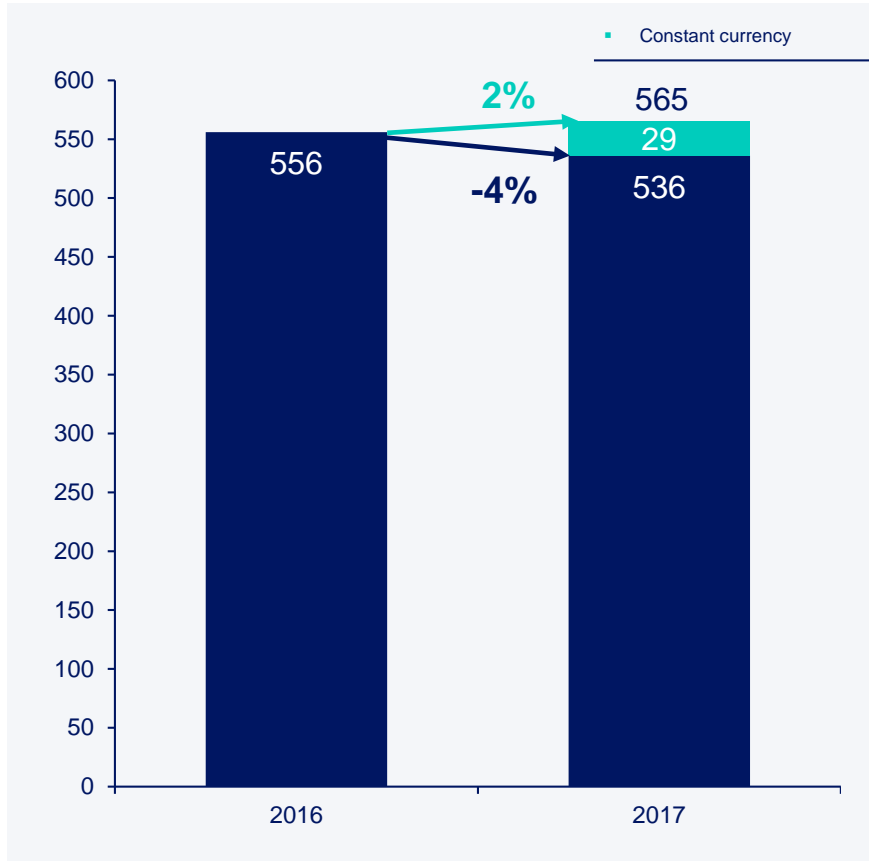
¹ Before the amortisation of intangible assets other than software and exceptional items

Branded

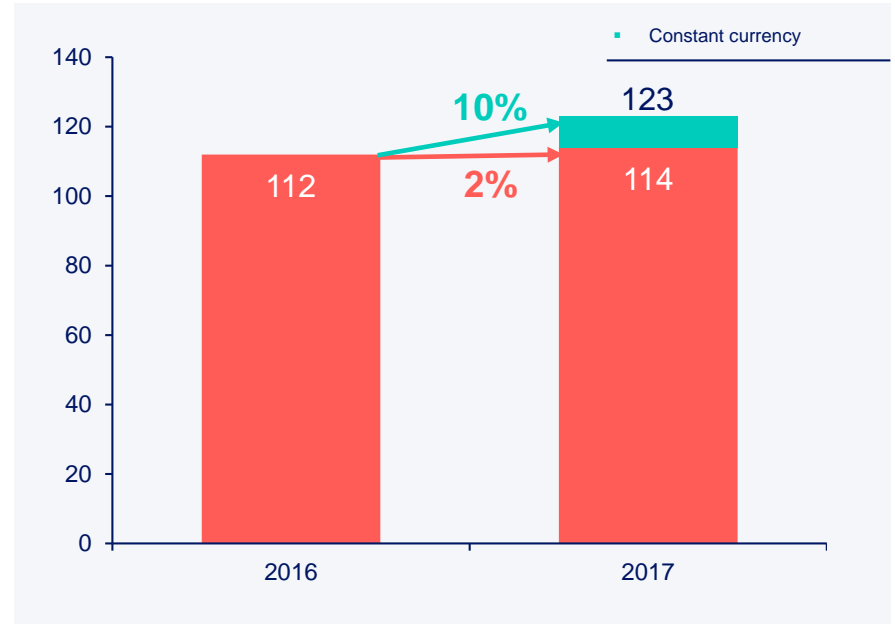
Maintained solid profitability



Revenue (\$ million)



Core¹ operating profit (\$ million)



Operating margin

	2016	2017	Change	2017 Constant currency	Change
Reported	18.7%	19.9%	1.2pp	20.5%	1.8pp
Core ¹	20.1%	21.3%	1.2pp	21.8%	1.7pp

¹ Before the amortisation of intangible assets other than software and exceptional items

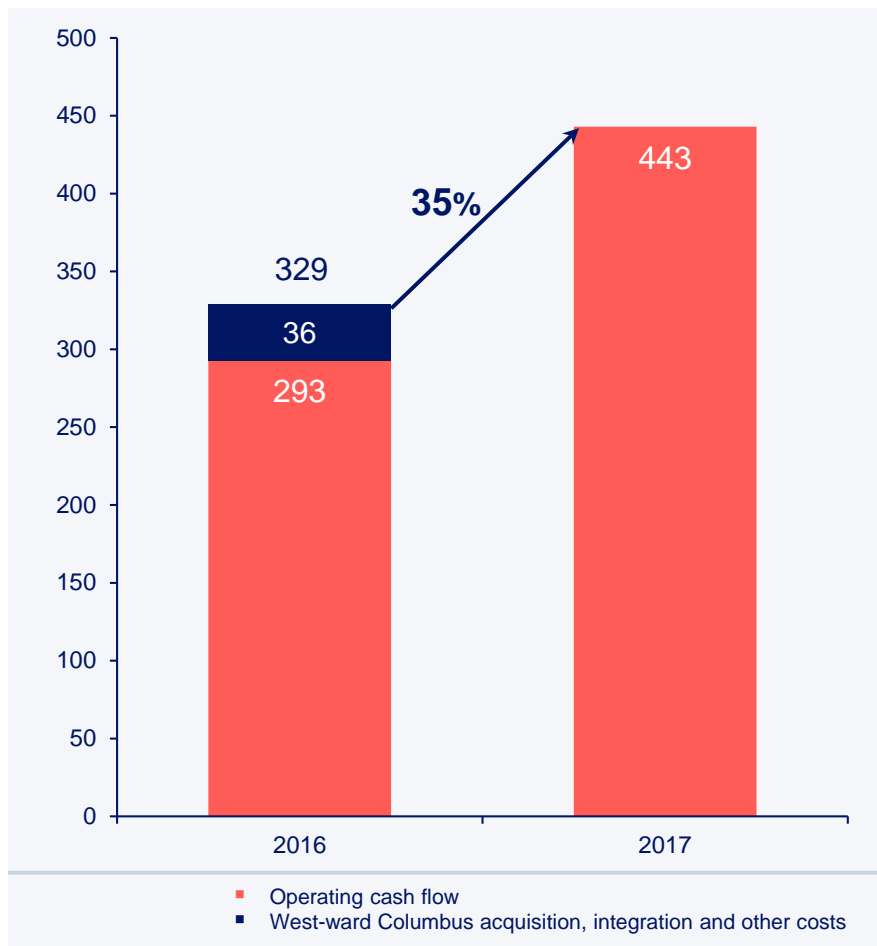
Cash flow

Achieved record operating cash flow



Operating cash flow

(\$ million)



- ▶ Operating cash flow was \$443 million, up from \$293 million
- ▶ Increase reflects the investment in working capital required in 2016 to support West-Ward Columbus following the acquisition in February 2016
- ▶ Improvement in working capital days driven by improvement in the US, following the integration of West-Ward Columbus

	2016	2017	Change
Working capital days	240	225	-15
Operating cash flow / revenue	15%	23%	+8pp

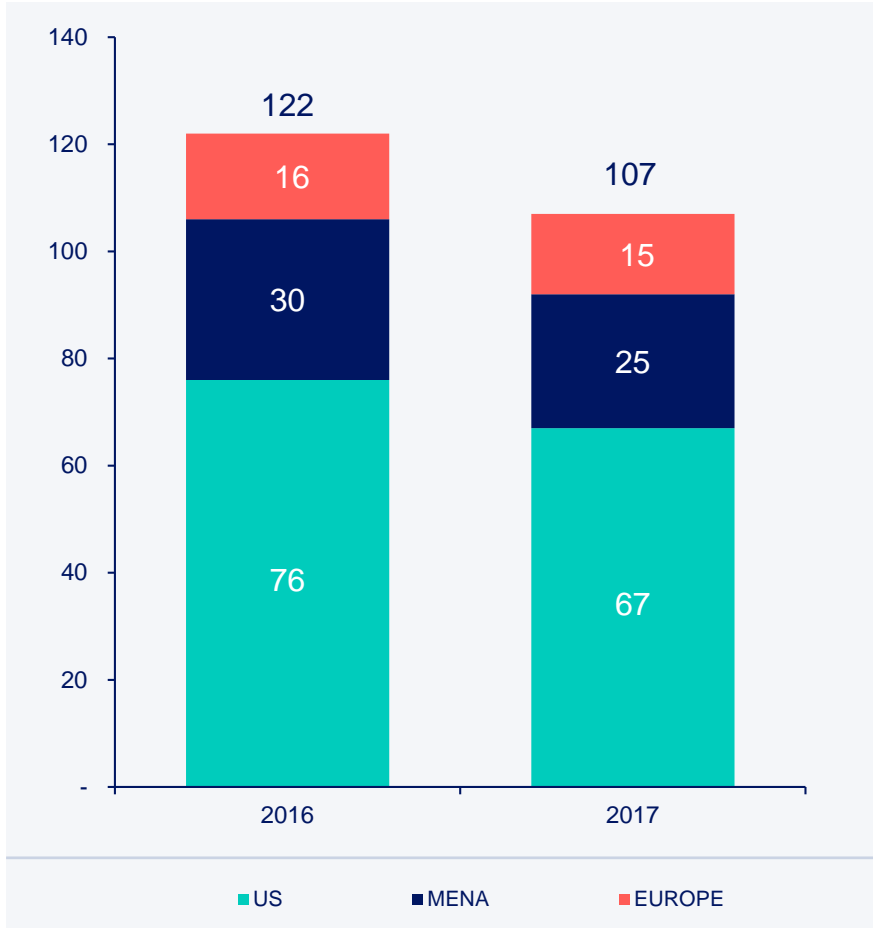
Capital expenditure

Continued investment in capacity and capabilities to support future growth



Capital expenditure

(\$ million)



- ▶ Expanded the manufacturing capacity and capabilities of our Injectables and Generics businesses
- ▶ Maintained and upgraded our equipment in a number of MENA markets
- ▶ Continued to invest in Portuguese manufacturing site, increasing capacity in existing facility and building dedicated oncology facility

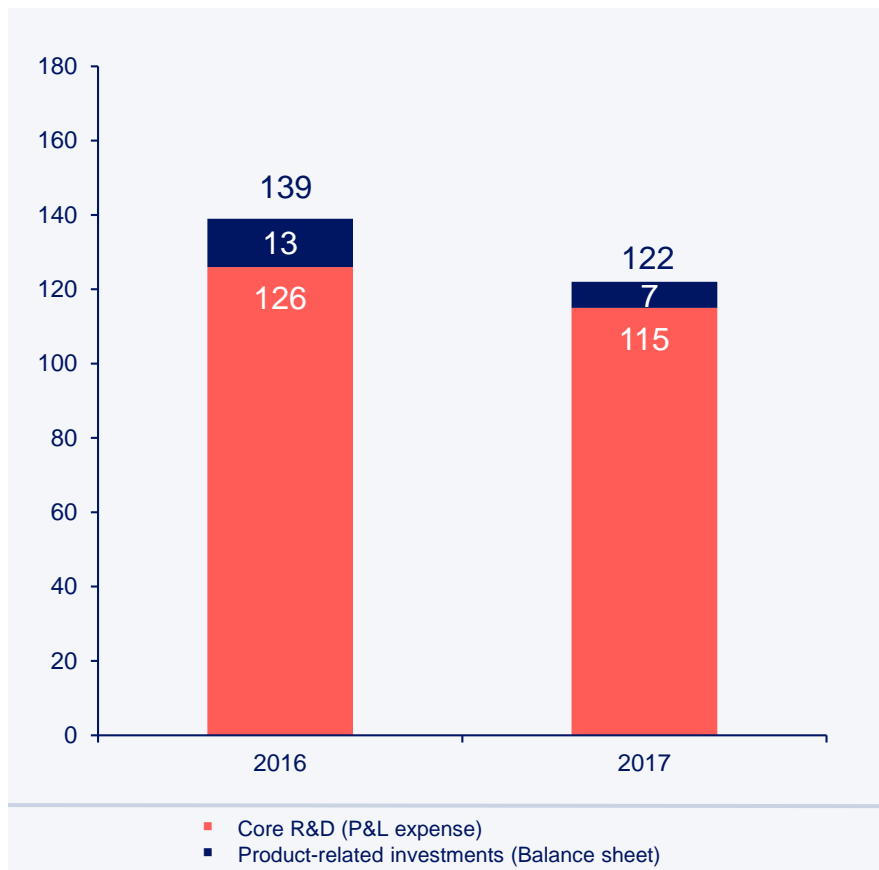
Product-related investments

Optimised investment in our pipeline



Product-related investments¹

(\$ million)



- ▶ R&D and product-related investments represented 6% of Group revenue in 2017
- ▶ Reduction in R&D expense, following detailed review of Generic's R&D programme which identified opportunities for cost savings and efficiencies

¹ In 2017, \$7 million (2016: \$13 million) of product-related investments were capitalised on the balance sheet within intangible assets.

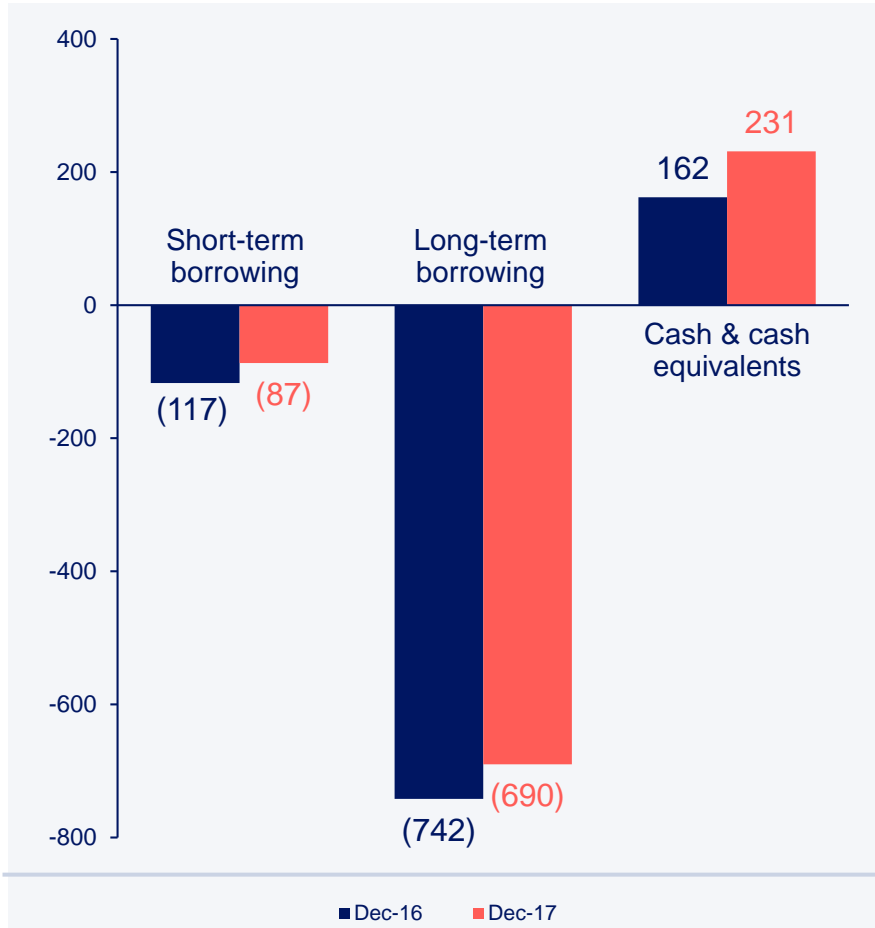
Balance sheet

Healthy leverage ratios maintained



Net debt position

at 30 December 2017 (\$ million)



- ▶ Net debt of \$546 million, down from \$697 million
- ▶ Reduction reflects increase in cash flow from operations
- ▶ Financing position remains strong

	Dec 2016	Dec 2017
Net debt	697	546
Net debt/core EBITDA	1.40x	1.17x
Debt/core EBITDA	1.73x	1.66x

Outlook for full year 2018

Injectables



- ▲ Revenue: **\$750 - \$800 million**
- ▲ Core operating margin: **low - mid 30's**

Generics



- ▲ Revenue: **\$550 - \$600 million**
- ▲ Core operating margin: **low single digits**

Branded



- ▲ Revenue growth in constant currency: **mid single digits**

Net finance expense



- ▲ Net finance expense: **~\$55 million**

Capital expenditure



- ▲ **\$120 - \$140 million**

Tax



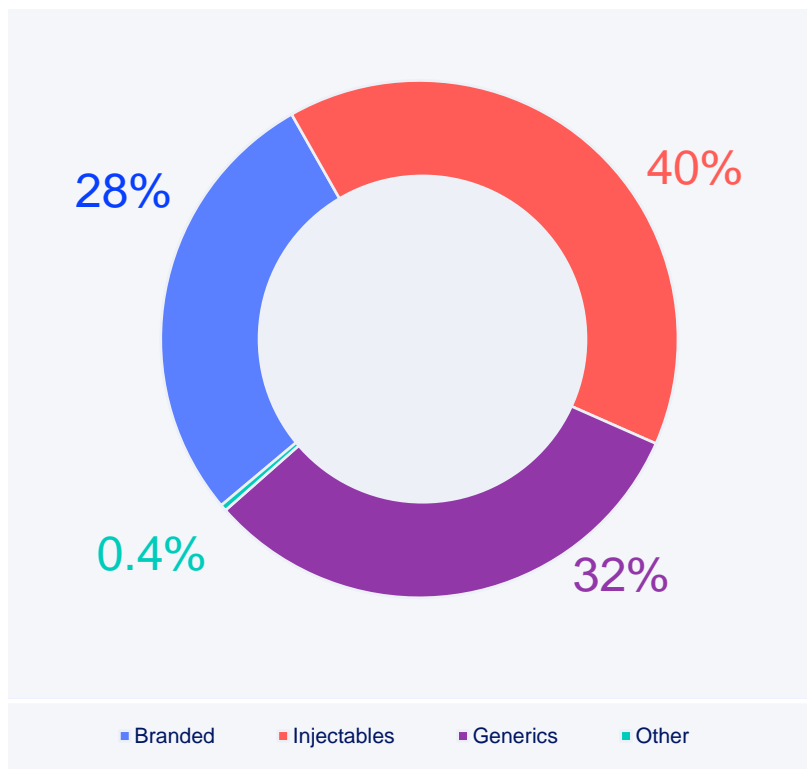
- ▲ Effective tax rate: **21% - 22%**

Appendix

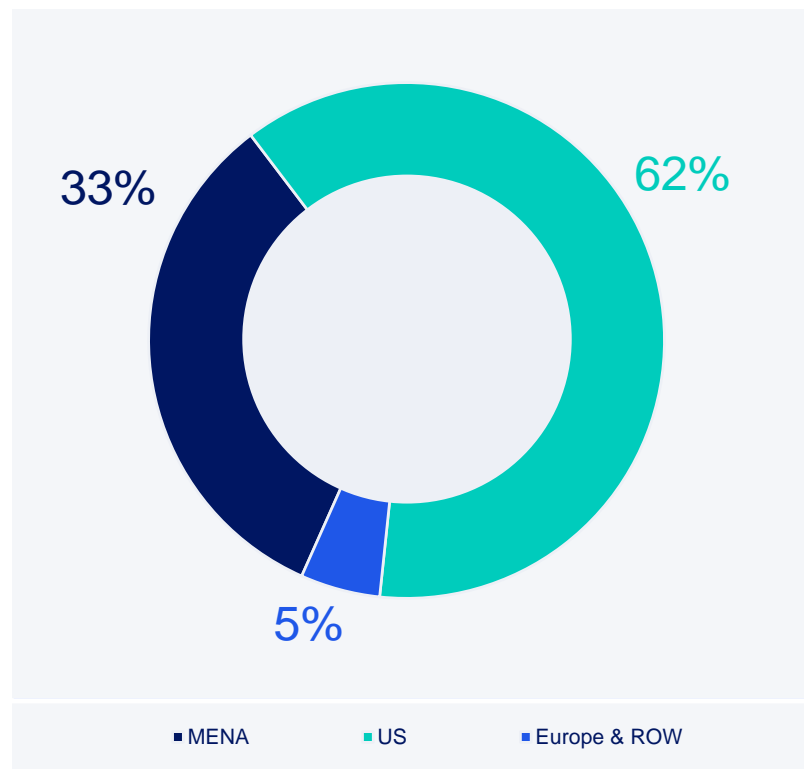


Revenue by segment and region

2017 revenue by segment



2017 revenue by region



Consolidated P&L

\$ million	2017	2016	Change	Constant currency change
Revenue	1,936	1,950	-1%	1%
Gross profit	967	986	-2%	0%
<i>Gross margin</i>	50.0%	50.6%	-0.6pp	-0.4pp
Operating profit	-747	302	-347%	-342%
Core operating profit¹	386	419	-8%	-4%
<i>Core operating margin</i>	19.9%	21.5%	-1.6pp	-1.2pp
EBITDA²	488	473	+3%	+7%
Profit attributable to shareholders	-843	155	-644%	-636%
Core profit attributable to shareholders¹	252	276	-9%	-5%
Basic EPS (cents)	-351.3	66.5	-628%	-620%
Core basic EPS (cents)	105.0	118.5	-11%	-8%
Dividend per share (cents)	34.0	33.0	+1.0	-
<i>Core effective tax rate</i>	22.0%	22.3%	-0.3%	-0.3%

¹ Before the amortisation of intangible assets other than software and exceptional items

² Earnings before interest, tax, depreciation and amortisation and the impairment charge

Cash flow statement

\$ million	2017	2016
Profit before tax	(738)	210
Adjustments for non-cash items	1,169	174
Change in working capital	32	(95)
Income tax paid	(103)	(76)
Other	83	80
Net cash generated from operating activities	443	293
Purchases of property, plant and equipment	(107)	(122)
Purchase of intangible assets	(44)	(68)
Proceeds from disposal of assets	4	25
Acquisition of business undertakings net of cash acquired	3	(515)
Finance income	1	2
Other	(8)	(17)
Net cash used in investing activities	(151)	(695)
Change in debt	(78)	153
Dividends paid	(79)	(77)
Interest Paid	(57)	(54)
Purchase of non-controlling interest in subsidiary	(6)	-
(Payments)/proceeds from co-development and earnout payment agreement, net	(1)	2
Other	1	(5)
Net cash generated from/(used in) financing activities	(220)	19
Net increase/ (decrease) in cash and cash equivalents	72	(383)

Balance sheet

\$ million	2017	2016	Growth \$	Growth %
Inventories	488	459	29	6%
Trade and other receivables	705	759	-54	-7%
Cash	231	162	69	43%
Other current assets	150	68	82	121%
Total current assets	1,574	1,448	126	9%
Goodwill and intangible assets	785	1,719	-934	-54%
Property, plant and equipment	828	969	-141	-15%
Investment in associates and joint ventures	6	7	-1	-14%
Deferred tax assets	135	172	-37	-22%
Financial and other non-current assets	60	48	12	25%
Total long-term assets	1,814	2,915	-1,101	-38%
Total assets	3,388	4,363	-975	-22%
Bank overdrafts and loans	86	117	-31	-26%
Trade and other payables	365	343	22	6%
Other current liabilities	346	458	-112	-24%
Total current liabilities	797	918	-121	-13%
Long-term financial debts and finance leases obligations	690	742	-52	-7%
Other long-term liabilities	373	292	81	28%
Total long-term liabilities	1,063	1,034	29	3%
Total liabilities	1,860	1,952	-92	-5%
Minority interest	14	15	-1	-7%
Total shareholders' equity	1,514	2,396	-882	-37%
Total liabilities and shareholders' equity	3,388	4,363	-975	-22%

Exchange rate movements impacting 2017 revenue and profit

Currency	2017	2016	Change%
	Average	Average	
USD/Algerian Dinar	110.9802	109.4432	1%
USD/British Pound	0.7755	0.7432	4%
USD/Egyptian Pound	17.8891	10.1112	77%
USD/EUR	0.8848	0.9053	-2%
USD/Japanese Yen	112.1826	116.8907	-4%
USD/Jordanian Dinar	0.7090	0.7090	0%
USD/Moroccan Dirham	9.6800	9.7920	-1%
USD/Saudi Riyal	3.7495	3.7495	0%
USD/Sudanese Pound	16.9779	12.0919	40%
USD/Tunisian Dinar	2.4194	2.1482	13%