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Press Release

Hikma delivers another year of profitable growth in 2021 and announces share buyback

London, 24 February 2022 – Hikma Pharmaceuticals PLC ('Hikma' or 'Group'), the multinational pharmaceutical company, today reports its preliminary audited results for the year ended 31 December 2021.

Siggi Olafsson, Chief Executive Officer of Hikma, said:

"Hikma delivered strong financial results in 2021, marking another successful year of solid growth and continued strategic momentum. Our operational strength and high quality standards ensured our ability to provide customers with a consistent supply of essential medicines in a challenging environment. I am grateful to Hikma colleagues around the world for their steadfast commitment to helping the millions of patients who rely on our medicines every day.

As we look to 2022 and beyond, I am most excited about how we are continuing to build and evolve our portfolio with important investments and new partnerships. Our Injectables business is now supplying US hospitals with sterile compounded pharmaceutical products, has expanded into Canada, and is set to grow further with the acquisition of Custopharm[1] and our expansion into US biosimilars. Our Generics business is bringing more complex and specialty products to market, launching Kloxxado™ and generic Advair Diskus® in 2021, and with additional product launches planned for this year. Our Branded business is delivering consistent growth, with an increased focus on medications to treat chronic illnesses. We have an exciting platform that will drive continued growth and progress in the year ahead."

Highlights:

Reported results (statutory)	**2021 $ million**	2020 $ million	Change	Constant currency[2] change
Revenue	**2,553**	2,341	9%	7%
Operating profit	**582**	579	1%	3%
Profit attributable to shareholders	**421**	431	(2)%	2%
Cashflow from operating activities	**638**	464	38%	-
Basic earnings per share (cents)[3]	**182.3**	182.6	0%	4%
Total dividend per share (cents)	**54.0**	50.0	8%	-

Core results[4] (underlying)	**2021 $ million**	2020 $ million	Change	Constant currency[2] change
Core revenue	**2,553**	2,341	9%	7%
Core operating profit	**632**	566	12%	15%
Core profit attributable to shareholders	**450**	408	10%	15%
Core basic earnings per share (cents)[3]	**194.8**	172.9	13%	17%

[1] Subject to FTC approval
[2] Constant currency numbers in 2021 represent reported 2021 numbers translated using 2020 exchange rates, excluding price increases in the business resulting from the devaluation of the Sudanese pound and excluding the impact from hyperinflation accounting. In 2021 Lebanon and Sudan were considered hyperinflationary economies, therefore the spot exchange rate as at 31 December 2021 was used to translate the results of these operations into US dollars
[3] In June 2020, Hikma purchased 12.8 million ordinary shares from Boehringer Ingelheim, which are being held in treasury
[4] Core results throughout the document are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 5 of the Group consolidated financial statements. Core results are a non-IFRS measure and a reconciliation to reported IFRS measures is provided on page 14

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Strong 2021 performance

- Group revenue up 9%, reflecting a good performance from all three businesses
- Core operating profit up 12%, driven by a further step up in Generics margin
- Core profit attributable to shareholders up 10%
- Reported profit attributable to shareholders down 2% and basic EPS was flat
- Strong cashflow from operating activities, up 38% to $638 million
- Continued to invest 6% of revenue in R&D, with a growing pipeline of complex and specialty products
- Maintained healthy balance sheet, with net debt[5] of $420 million and low leverage at 0.6x net debt to core EBITDA[6,7]
- Full year dividend of 54 cents per share, up from 50 cents per share in 2020

Continued momentum, with growth in all three businesses

- Injectables: Good revenue growth across all three geographies, including in the US following a strong 2020. Injectables core operating profit grew 5%, with a strong operating margin of 37.5%
- Generics: 10% revenue growth and core operating margin improvement of 300 bps to 24.6%, reflecting a good performance from recently launched products
- Branded: Revenue grew 9%, reflecting a good contribution from products used to treat chronic illnesses and core operating margin was 18.7%, down from 20.6% in 2020. Excluding the impact of currency and hyperinflation, revenue grew 5% and core operating margin was stable

Further portfolio expansion and increased investment to support growth

- Launched generic Advair Diskus® in April and are gradually growing market share, but expect competition to intensify in 2022
- Expansion of specialty product offering in the US, including the launch of Kloxxado™ 8mg naloxone nasal spray
- Positioning for future growth in Injectables with the signing of two US biosimilar agreements, the acquisition of Custopharm[8], the launch of a new US compounding business and post year-end expansion into Canada through acquisition of Teligent assets
- Further complex medicines added to Branded portfolio, including eight oral oncology products in Algeria

Share buyback

- Announcing a share buyback programme of up to $300 million to be executed during 2022
- Hikma's strategic focus remains unchanged, prioritising the creation of further shareholder value through investing in organic and inorganic growth
- Buyback reflects the Group's strong cash generation, balance sheet strength and the Board's confidence in the future growth prospects of the business
- The buyback has been sized to maintain balance sheet efficiency whilst leaving significant headroom for continued investment opportunities

New environmental target

- Announcing new target to reduce Hikma's greenhouse gas emissions by 25% by 2030

2022 outlook

- Injectables revenue growth in the low to mid-single digits, with core operating margin in the range of 35% to 37%

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[5] Group net debt is calculated as Group total debt less Group total cash, including restricted cash. Group net debt is a non-IFRS measure. See page 15 for a reconciliation of Group net debt to reported IFRS figures

[6] Core EBITDA is earnings before interest, tax, depreciation, amortisation, assets write-down and impairment charges/reversals. EBITDA is a non-IFRS measure, see page 15 for a reconciliation to reported IFRS results

[7] Net debt to core EBITDA is calculated as Group net debt divided by core EBITDA and is considered a useful measure of the Group's financing decision

[8] Subject to FTC approval

- Generics revenue growth in the range of 8% to 10% and core operating margin in the range of 24% to 25%
- Branded revenue expected to be in line with 2021. Excluding the impact of hyperinflation in 2021, expect Branded revenue to grow in the mid-single digits

Further information:

A pre-recorded presentation will be available at www.hikma.com at 07:00 GMT. Hikma will also hold a live Q&A conference call at 9:30am GMT, and a recording will be made available on the Company's website.

To join via conference call please dial:

United Kingdom: 0800 640 6441

United Kingdom (local): 020 3936 2999

All other locations: +44 20 3936 2999

Access code: 446040

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About Hikma:

Hikma helps put better health within reach every day for millions of people around the world. For more than 40 years, we've been creating high-quality medicines and making them accessible to the people who need them. Headquartered in the UK, we are a global company with a local presence across the United States (US), the Middle East and North Africa (MENA) and Europe, and we use our unique insight and expertise to transform cutting-edge science into innovative solutions that transform people's lives. We're committed to our customers, and the people they care for, and by thinking creatively and acting practically, we provide them with a broad range of branded and non-branded generic medicines. Together, our 8,700 colleagues are helping to shape a healthier world that enriches all our communities. We are a leading licensing partner, and through our venture capital arm, are helping bring innovative health technologies to people around the world. For more information, please visit: www.hikma.com

Hikma Pharmaceuticals PLC (LSE: HIK) (NASDAQ Dubai: HIK) (OTC: HKMPY) (LEI:549300BNS685UXH4JI75) (rated BBB-/stable S&P, BBB-/stable Fitch)

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STRATEGIC REVIEW

Throughout 2021 we have been driven by our purpose of putting better health within reach, every day. This is evident in the products we have launched, the investments we have made and the ongoing supply of important medicines across the geographies in which we operate.

Strategic progress across the Group

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

We remain focussed on having a portfolio fit for the future, with ongoing new launches, and have made exciting progress this year building our portfolio and pipeline through acquisition and partnership, including for biosimilars in the US.

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

Our Generics business delivered strong revenue growth and margin expansion in 2021, as we have focussed on important new launches, optimised the cost base and drove operating efficiencies.

We added several products to our Generics portfolio in 2021, including the launches of generic Advair Diskus® and our novel naloxone nasal spray, Kloxxado™. These important product launches demonstrate our move towards more complex generic medicines and specialty branded products. In total we launched seven products while also continuing to invest in our state-of-the art manufacturing facility in Columbus, Ohio. Our local presence in the US enabled us to respond quickly to customer needs and minimise supply disruptions arising from challenges related to the COVID-19 pandemic.

In our Branded business, we have continued to strengthen our market position and we are now ranked the fourth largest pharmaceutical company in the MENA region, by sales. The strategy of tiering the markets is delivering. Our Algeria business saw particularly good growth as we launched new products, including from our new oral oncology plant, the first local Algerian facility producing oral oncology products. We are also seeing good growth in our other markets, including Jordan, Morocco and UAE. Our continued focus on building a portfolio of high-value treatments for chronic illnesses is driving revenue growth, enhancing our market position and strengthening our customer relationships.

Investing in R&D, new technologies and capabilities and deploying our balance sheet

We continue to invest in R&D to develop products where we see a patient need. In 2021, we spent 6% of revenue on R&D, in line with our target of 6% to 7%. We also strengthened our R&D capabilities, including adding a new site for complex injectables in Warren, New Jersey.

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

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

contribute in the near term, while others will help to drive future growth. The biosimilar deals we signed with Bio-Thera and Gedeon Richter will enable us to bring important complex injectable medicines to the US in the medium term.

We are also leveraging our balance sheet to deliver attractive inorganic growth opportunities. In 2021, as part of the growth plans for our Injectables business, we announced the acquisition of Custopharm, which remains subject to FTC approval. Upon closing, this will bring an existing portfolio of differentiated products and additional pipeline products and enhanced R&D capabilities. Post year-end, we announced our expansion in Canada with the acquisition of Teligent's Canadian assets. Our teams will continue to assess opportunities as they arise to ensure we are deploying our capital in line with our strategy and delivering long-term value to our shareholders.

Capital allocation priorities and share buyback

Alongside our 2018 capital markets day, the Board set out its capital allocation priorities which have guided our deployment of cash flows over recent years. These priorities remain unchanged

1. Reinvesting for growth
2. Building long-term partnerships
3. M&A in-line with strategy
4. Maintaining a consistent dividend pay-out

Hikma has also maintained a strong balance sheet underpinned by strong free cash flow generation. The Board is today announcing a share buyback of up to $300 million which will balance the maintenance of an efficient balance sheet whilst retaining substantial flexibility for continued investment and M&A.

Caring for our people

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

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

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

Acting responsibly

Underpinning all of this, we are ensuring we operate responsibly in all aspects of what we do. First and foremost, we have a responsibility for our customers and their patients, who rely on our important medicines every day; but our mission to advance health and wellbeing also extends to the broader wellbeing of the communities in which we operate. It extends to ensuring that our own people are empowered by an inclusive culture where everyone can thrive, and to understanding and minimising our impact on the environment. We have spent time assessing this impact and understanding how we can minimise it, and are pleased that the Board has approved a new target to reduce our greenhouse gas

emissions by 25% by 2030, compared to a 2020 baseline. Finally, operating responsibly extends to building trust and ensuring quality in all that we do, by upholding ethical standards and acting with integrity.

Outlook

Our strategy continues to deliver results and we are pleased with the progress made to date, which is reflected in this strong set of results. Looking at 2022, the business is well positioned to continue to grow, benefitting from our broad portfolio and pipeline, as well as our high-quality operations.

For Injectables, as the COVID-19 volatility continues to ease and we see a gradual return of elective surgeries, we expect for revenue to grow in the low to mid-single digits, supported by new product launches. We expect core operating margin to be in the range of 35% to 37%. Our guidance does not include a contribution from Custopharm, which remains subject to FTC approval.

For Generics, we expect revenue to grow in the range of 8% to 10% and for core operating margin to be in the range of 24% to 25%. This reflects a good contribution from new and recent launches, which we expect will more than offset an acceleration in price erosion. Our guidance assumes a mid-year launch of sodium oxybate.

For Branded, we expect revenues in 2022 to be in line with 2021. Excluding the impact from hyperinflation in 2021, we expect Branded revenue to grow in the mid-single digits.

We expect Group core net finance expense to be around $55 million and the core effective tax rate to be in the range of 22% to 23%.

We expect Group capital expenditure to be in the range $160 million to $180 million.

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FINANCIAL REVIEW

The financial review set out below summarises the reported and core[9] performance of the Hikma Group and our three main business segments, Injectables, Generics and Branded, for the year ended 31 December 2021 .

Group

	2021 $ million	2020 $ million	Change	Constant currency change
Revenue	**2,553**	2,341	9%	7%
Core revenue	**2,553**	2,341	9%	7%
Gross profit	**1,301**	1,201	8%	6%
Core gross profit	**1,301**	1,213	7%	5%
Core gross margin	***51.0%***	*51.8%*	*(0.8)pp*	*(0.8)pp*
Operating profit	**582**	579	1%	3%
Core operating profit	**632**	566	12%	15%
Core operating margin	***24.8%***	*24.2%*	*0.6pp*	*1.7pp*
EBITDA	**727**	670	9%	10%
Core EBITDA	**727**	674	8%	10%

Group revenue grew 9% reflecting growth in each of our three businesses. Group gross margin reduced slightly, primarily due to a shift in product mix in our Injectables and Branded businesses.

Group operating expenses were $719 million (2020: $622 million). Excluding adjustments related to the amortisation of intangible assets (other than software) of $73 million (2020: $42 million) and net income from exceptional items of $23 million (2020: $67 million), Group core operating expenses were $669 million (2020: $647 million).

Selling, general and administrative (SG&A) expenses were $561 million (2020: $509 million). Excluding the amortisation of intangible assets (other than software) and exceptional items, core SG&A expenses were $488 million (2020: $464 million), up 5%, reflecting good control of costs while increasing spend in certain areas such as sales and marketing for specialty products in the Generics business and a gradual return to pre-COVID marketing activities in our Branded business.

Research and development (R&D) expenses were $143 million (2020: $137 million). This reflects an increase in the second half as the Group focussed on the future pipeline. Core R&D was 6% of Group core revenue, in line with our strategy.

Other net operating expenses were $15 million (2020: $26 million income). Excluding exceptional items[10], core other net operating expenses were $38 million (2020: $44 million), which primarily comprised foreign exchange-related costs.

[9] Core results throughout the document are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 5 of the Group consolidated financial statements. Core results are a non-IFRS measure and a reconciliation to reported IFRS measures is provided on page 14

[10] Exceptional items comprised a $60 million impairment reversal of product related intangibles, a $24 million charge of product related intangibles and a $13 million intangible assets write-down. Amortisation of intangible assets (other than software) was $73 million. Refer to Note 5 of the Group consolidated financial statements for further information

The improvement in core operating margin to 24.8% was primarily driven by the good performance in the Generics business.

Group core revenue by business segment

	2021 $ million		2020 $ million	
Injectables	**1,053**	41%	977	42%
Generics	**820**	32%	744	32%
Branded	**669**	26%	613	26%
Others	**11**	0%	7	0%
Total	**2,553**		2,341	

Group core revenue by region

	2021 $ million		2020 $ million	
US	**1,511**	59%	1,406	60%
MENA	**847**	33%	770	33%
Europe and ROW	**195**	8%	165	7%
Total	**2,553**		2,341	

Injectables

	2021 $ million	2020 $ million	Change	Constant currency change
Revenue	**1,053**	977	8%	6%
Core revenue	**1,053**	977	8%	6%
Gross profit	**581**	563	3%	2%
Core gross profit	**581**	563	3%	2%
Core gross margin	***55.2%***	*57.6%*	*(2.4)pp*	*(1.9)pp*
Operating profit	**351**	354	(1)%	1%
Core operating profit	**395**	377	5%	6%
Core operating margin	***37.5%***	*38.6%*	*(1.1)pp*	*0.3pp*

Injectables revenue grew 8% in 2021, benefitting from our broad portfolio, geographic spread, flexible manufacturing capabilities and new launches across our regions.

US Injectables revenue grew 4% to $691 million (2020: $662 million), reflecting a good performance from new launches while maintaining demand for our broad product portfolio.

MENA Injectables revenue was $180 million, up 13% on a reported basis and 4% on a constant currency basis (2020: $160 million). This growth reflects a strong performance across most of our markets and good

demand for our growing biosimilar portfolio where we continue to grow the market by increasing patient access. This more than offset temporary disruptions in some markets.

European Injectables revenue was $182 million, up 17% (2020: $155 million). In constant currency, European Injectables revenue increased by 13%. This reflects a good performance from our own products, recent launches and continued demand for contract manufacturing.

Core gross profit grew 3% to $581 million and gross margin declined to 55.2%, reflecting a normalisation in product mix following the strong demand for COVID-19 related products in 2020.

Injectables core operating profit, which excludes the amortisation of intangible assets (other than software)[11] grew 5% and core operating margin was 37.5%, compared with 38.6% in 2020. In constant currency, core operating profit grew 7% and core operating margin remained largely stable, reflecting good control of costs.

During the year, the Injectables business launched 15 products in the US, 29 in MENA and 34 in Europe. We submitted 93 filings to regulatory authorities across all markets. This primarily reflects our efforts to expand our European portfolio and register products in new European markets. We also signed new licensing deals, including to enter the US biosimilar market.

In 2022, we expect Injectables revenue to grow in the low to mid-single digits. We expect core operating margin to be in the range of 35% to 37%.

Generics

	2021 $ million	2020 $ million	Change
Revenue	**820**	744	10%
Core revenue	**820**	744	10%
Gross profit	**388**	329	18%
Core gross profit	**388**	341	14%
Core gross margin	***47.3%***	*45.8%*	*1.5pp*
Operating profit	**217**	203	7%
Core operating profit	**202**	161	25%
Core operating margin	***24.6%***	*21.6%*	*3.0pp*

The good revenue growth in our Generics business, up 10% in 2021, was primarily driven by a strong performance from recently launched products, which more than offset increased price erosion.

Generics core gross profit growth and margin expansion was primarily due to product mix, with good demand for profitable recent launches.

We delivered a strong improvement in Generics core operating profit, which excludes the amortisation of intangible assets (other than software) and exceptional items[12], mostly due to the improvement in gross profit. While sales and marketing spend increased as a result of the expansion of our specialty business,

[11] Exceptional items comprised a $10 million impairment of product related intangibles and a $1 million intangible assets write-down. Amortisation of intangible assets (other than software) was $33 million. Refer to Note 5 of the Group consolidated financial statements for further information

[12] Exceptional items comprised a $60 million impairment reversal of product related intangibles and a $14 million impairment charge of product related intangibles and a $1 million intangible assets write-down. Amortisation of intangible assets (other than software) was $30 million. Refer to Note 5 of the Group consolidated financial statements for further information

this was partially offset by good control of other operating expenses. For the year, Generics core operating margin was 24.6%, ahead of our guidance of 22% to 24%.

In 2021, the Generics business launched seven products and submitted five files to regulatory authorities.

In 2022, we expect Generics revenue to grow in the range of 8% to 10%. We expect core operating margin to be in the range of 24% to 25%.

Branded

	2021 $ million	2020 $ million	Change	Constant currency change
Revenue	**669**	613	9%	5%
Core revenue	**669**	613	9%	5%
Gross profit	**328**	307	7%	0%
Core gross profit	**328**	307	7%	0%
Core gross margin	***49.0%***	*50.1%*	*(1.1)pp*	*(2.0)pp*
Operating profit	**104**	120	(13)%	(7)%
Core operating profit	**125**	126	(1)%	5%
Core operating margin	***18.7%***	*20.6%*	*(1.9)pp*	*0.0pp*

Our Branded business continued to deliver growth in 2021, with revenue up 9%, which includes the impact of hyperinflation. In constant currency, revenue grew 5%, with a good performance across our markets, particularly in Algeria, where we saw the benefits of our new oncology plant, and in Egypt, where we benefitted from strong demand for our chronic treatments. Our chronic treatments also saw good demand in our retail business in Saudi Arabia, which partially offset lower demand in the government tender business. Other markets, including Jordan, UAE and Morocco grew strongly. Across the region we benefitted from our focussed commercial efforts, a responsive supply chain and the breadth of our portfolio.

Core gross profit grew 7% and, on a constant currency basis, core gross profit was flat primarily due to an increase in slow-moving inventory resulting from pandemic-related demand fluctuations. Core gross margin contracted slightly to 49.0%.

Core operating profit, which excludes the amortisation of intangibles (other than software) and exceptional items[13], fell 1%. In constant currency, core operating profit grew 5% as higher investment in R&D and increased sales and marketing spend due to activities returning to pre-COVID levels was offset by good control of G&A costs. Core operating margin decreased primarily due to devaluation of the Sudanese pound. In constant currency, core operating margin was stable.

During the year, the Branded business launched 87 products and submitted 144 filings to regulatory authorities. Revenue from in-licensed products represented 36% of Branded revenue (2020: 37%).

We expect Branded revenue in 2022 to be in line with 2021. Excluding the impact of hyperinflation in 2021, we expect Branded revenue to grow in the mid-single digits.

[13] Exceptional items comprised a $11 million intangible assets write-down. Amortisation of intangible assets (other than software) was $10 million. Refer to Note 5 of the Group consolidated financial statements for further information

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Other businesses

Other businesses, which primarily comprises Arab Medical Containers (AMC), a manufacturer of plastic specialised medicinal sterile containers, and International Pharmaceuticals Research Centre (IPRC), which conducts bio-equivalency studies, contributed revenue of $11 million in 2021 (2020: $7 million) with an operating profit of $2 million (2020: $nil).

Research and development

Our investment in R&D and business development enables us to continue expanding the Group's product portfolio. During 2021, we had 172 new launches and received 243 approvals. To ensure the continuous development of our product pipeline, we submitted 242 regulatory filings.

	2021 submissions[14]	2021 approvals[14]	2021 launches[14]
Injectables	93	114	78
US	13	12	15
MENA	24	66	29
Europe	56	36	34
Generics	5	5	7
Branded	144	124	87
Total	**242**	**243**	**172**

Net finance expense

	2021	2020	Change	Constant currency change
Finance income	**30**	47	0%	4%
Finance expense	**69**	69	13%	17%
Net finance expense	**39**	22	0%	4%
Core finance income	**1**	9	13%	17%
Core finance expense	**56**	54	-	-
Core net finance expense	**55**	45	-	-

On a reported basis, net finance expense was $39 million (2020: $22 million). This comprised $30 million finance income and $69 million finance expense. Excluding exceptional items[15], core net finance expense was $55 million (2020: $45 million). This comprised $1 million finance income and $56 million finance expense. The increase compared with 2020 in part reflects a drop in interest income over the course of 2021 due to a reduction in interest rates, and a slight increase in expenses related to the refinancing of our revolving credit facility.

We expect core net finance expense to be around $55 million in 2022.

[14] New products submitted, approved and launched by country in 2021

[15] Exceptional items comprised $29 million non-cash finance income related to the remeasurement of contingent consideration related to the Generics business and $13 million non-cash finance expense related to the unwinding and remeasurement of contingent consideration related to the Generics business

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Profit before tax

Reported profit before tax decreased to $544 million (2020: $558 million), primarily reflecting an increase in the amortisation of intangibles (other than software), from $42 million to $73 million, due to new product launches. Excluding the amortisation of intangibles (other than software) and exceptional items[16], core profit before tax was $578 million (2020: $522 million), up 11%, reflecting the strong performance of our three business segments.

Tax

The Group incurred a reported tax expense of $124 million (2020: $128 million) and a reported effective tax rate of 22.8% (2020: 22.9%). Excluding exceptional items, Group core tax expense was $129 million (2020: $115 million). The core effective tax rate increased slightly to 22.3% (2020: 22.0%), primarily due to a change in the earnings mix.

We expect the Group core effective tax rate to be in the range of 22% to 23% in 2022.

Profit attributable to shareholders

Profit attributable to shareholders was $421 million (2020: $431 million). Core profit attributable to shareholders increased by 11% to $450 million (2020: $408 million).

Earnings per share

	2021	2020	Change	Constant currency change
Basic earnings per share (cents)	**182.3**	182.6	0%	4%
Core basic earnings per share (cents)	**194.8**	172.9	13%	17%
Diluted earnings per share (cents)	**180.7**	181.1	0%	4%
Core diluted earnings per share (cents)	**193.1**	171.4	13%	17%
Weighted average number of Ordinary Shares for the purposes of basic earnings ('m)	**231**	236	-	-
Weighted average number of Ordinary Shares for the purposes of diluted earnings ('m)	**233**	238	-	-

The increase in core earnings per share reflects the strong performance of the Group and the value for shareholders created by the Group's buy back of 12.8 million ordinary shares in the first half of 2020.

Dividend

The Board is recommending a final dividend of 36 cents per share (approximately 26 pence per share) (2020: 34 cents per share) bringing the total dividend for the full year to 54 cents per share (approximately 40 pence per share) (2020: 50 cents per share). The proposed dividend will be paid on 28 April 2022 to eligible shareholders on the register at the close of business on 18 March 2022, subject to approval at the Annual General Meeting on 25 April 2022.

[16] Exceptional items comprised a $60 million impairment reversal of product related intangibles, a $24 million impairment charge of product related intangibles, a $13 million intangible assets write-down and $16 million net finance income due to the remeasurement of contingent consideration. Amortisation of intangible assets (other than software) was $73 million. Refer to Note 5 of the Group consolidated financial statements for further information

Net cash flow, working capital and net debt

The Group generated strong operating cash flow of $638 million (2020: $464 million). This change primarily reflects the good performance of the Group, combined with a focussed effort to optimise inventories following COVID-19 related stocking in 2020. The resultant decrease in inventory days drove an improvement in working capital days, which decreased by 26 days to 238 days.

Capital expenditure was $145 million (2020: $172 million). In the US, $56 million was spent upgrading equipment and adding new technologies for our Generics and Injectables businesses, including our new compounding facility in Dayton, New Jersey. In MENA, $66 million was spent on strengthening and expanding manufacturing capabilities. In Europe, we spent $23 million on strengthening our capabilities. We expect Group capital expenditure to be in the range of $160 million to $180 million in 2022.

The Group's total debt decreased to $846 million at 31 December 2021 (31 December 2020: $932 million). This decrease primarily reflects our strong cash flow generation which enabled a reduction in short-term borrowing, while we maintained the repayment schedule of long-term loans.

During the year, we upsized, amended and extended our revolving credit facility (RCF), effective as of January 2022, allowing us the flexibility to pursue strategic opportunities. The RCF remained undrawn at year end.

The Group's cash balance at 31 December 2021 was $426 million (2020: $327 million).

The Group's net debt (excluding co-development agreements and contingent liabilities) was $420 million at 31 December 2021 (31 December 2020: $605 million). We continue to have a strong balance sheet, with a net debt to core EBITDA ratio of 0.6x (31 December 2020: 0.9x).

Today we are also announcing a share buyback programme of up to $300 million to be executed during 2022. This takes into account the strength of our balance sheet and low leverage ratio while maintaining the financial flexibility needed to invest in the business and pursue inorganic growth opportunities.

Balance sheet

Net assets at 31 December 2021 were $2,467 million (31 December 2020: $2,148 million). Net current assets were $1,078 million (31 December 2020: $894 million).

The Board

The Board of Directors that served during the twelve-month period to 31 December 2021 and their respective responsibilities can be found on the Leadership team section of www.hikma.com.

Cautionary statement

This preliminary announcement has been prepared solely to provide additional information to the shareholders of Hikma and should not be relied on by any other party or for any other purpose.

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 core numbers may be calculated differently to other companies.

Adjusted measures are not substitutable for IFRS results 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 which are excluded when assessing 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. Our core results exclude the exceptional items and other adjustments set out in Note 5 of the Group consolidated financial statements.

Group operating profit	**2021 $million**	2020 $million
Core operating profit	**632**	**566**
Intangible assets write-down	(13)	-
Jordan warehouse fire incident	-	11
GxA inventory related provisions	-	(15)
MENA severance and restructuring costs	-	(3)
Net impairment reversal of product related intangibles	36	62
Intangible assets amortisation other than software	(73)	(42)
Reported operating profit	**582**	**579**

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 2021 represent reported 2021 numbers translated using 2020 exchange rates, excluding price increases in the business resulting from the devaluation of the Sudanese pound and excluding the impact from hyperinflation accounting.

EBITDA

EBITDA is earnings before interest, tax, depreciation, amortisation, assets write-down and impairment charges/reversals.

EBITDA	**2021 $ million**	2020 $ million
Reported operating profit	**582**	**579**
Depreciation, amortisation, assets write-down and impairment charges/reversals	145	91
Reported EBITDA	**727**	**670**
Exceptional items:		
Jordan warehouse fire incident	-	(11)
Assets write off – inventory-related provision	-	12
MENA severance and restructuring costs	-	3
Core EBITDA	**727**	**674**

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 12 months Group revenue. Group inventory days are calculated as Group inventory x 365, divided by 12 months Group cost of sales. Group payable days are calculated as Group trade payables x 365, divided by 12 months Group cost of sales.

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.

Group net debt	**31 Dec 2021 $ million**	31 Dec 2020 $ million
Short-term financial debts	(112)	(158)
Short-term leases liabilities	(9)	(10)
Long-term financial debts	(651)	(692)
Long-term leases liabilities	(74)	(72)
Total debt	**(846)**	**(932)**
Cash, cash equivalents and restricted cash	426	327
Net debt	**(420)**	**(605)**

Forward looking statements

This announcement contains certain statements which are, or may be deemed to be, "forward looking statements" which are prospective in nature with respect to Hikma's expectations and plans, strategy,

management objectives, future developments and performance, costs, revenues and other trend information. All statements other than statements of historical fact may be forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward looking words such as "*aims*", "*anticipates*", "*believes*", "*budget*", "*estimates*", "*expects*", "*forecasts*", "*goals*", "*intends*", "*objectives*", "*outlook*", "*plan*", "*project*", "*risks*", "*seek*" "*scheduled",* "*targets*" or words or terms of similar substance or the negative thereof, as well as variations of such words and phrases or statements that certain actions, events or results "*could*", "*may*", "*might*", "*probably*", "*should*", "*will*" or "*would*" be taken, occur or be achieved.

By their nature, forward looking statements are based on current expectations and projections about future events and are therefore subject to assumptions, risks and uncertainties that are beyond Hikma's ability to control or estimate precisely and which could cause actual results or events to differ materially from those expressed or implied by the forward looking statements. In particular, these include statements relating to future actions, product authorisations, future performance or results of current and anticipated products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, dividend payments and financial results. Where included, such statements have been made by or on behalf of Hikma in good faith based upon the knowledge and information available to the Directors on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and Hikma's shareholders are cautioned not to place undue reliance on the forward-looking statements. Forward looking statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Other than in accordance with its legal or regulatory obligations (including under the UK Market Abuse Regulation and the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), Hikma does not undertake to update the forward looking statements contained in this announcement to reflect any changes in events, conditions or circumstances on which any such statement is based or to correct any inaccuracies which may become apparent in such forward looking statements. Except as expressly provided in this announcement, no forward looking or other statements have been reviewed by the auditors of Hikma. Any forward looking statement above and all subsequent oral or written forward looking statements attributable to Hikma or any of its members, directors, officers or employees or any person acting on their behalf are expressly qualified in their entirety by this cautionary statement. Past share performance cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit forecast.

Neither the content of Hikma's website nor any other website accessible by hyperlinks from Hikma's website are incorporated in, or form part of, this announcement.

Principal risks and uncertainties

The Group faces risks from a range of sources that could have a material impact on our financial commitments and ability to trade in the future. The principal risks are determined via robust assessment considering our risk context by the Board of Directors with input from executive management. The principal risks facing the company have not materially changed over the year and they are set out in the 2021 annual report on pages 54 – 63, which will be available on 16 March 2022. The Board recognises that certain risk factors that influence the principal risks are outside of the control of management. The Board is satisfied that the principal risks are being managed appropriately and consistently with the target risk appetite. The set of principal risks should not be considered as an exhaustive list of all the risks the Group faces.

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Hikma Pharmaceuticals PLC
Consolidated income statement
For the year ended 31 December 2021

	Note	2021 Core results $m	2021 Exceptional items and other adjustments (Note 5) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 5) $m	2020 Reported results $m
Revenue	3	**2,553**	**-**	**2,553**	2,341	-	2,341
Cost of sales		**(1,252)**	**-**	**(1,252)**	(1,128)	(12)	(1,140)
Gross profit/(loss)		**1,301**	**-**	**1,301**	1,213	(12)	1,201
Selling, general and administrative expenses		**(488)**	**(73)**	**(561)**	(464)	(45)	(509)
Net impairment loss on financial assets		**-**	**-**	**-**	(2)	-	(2)
Research and development expenses		**(143)**	**-**	**(143)**	(137)	-	(137)
Other operating expenses		**(40)**	**(37)**	**(77)**	(47)	(7)	(54)
Other operating income		**2**	**60**	**62**	3	77	80
Total operating (expenses)/income		**(669)**	**(50)**	**(719)**	(647)	25	(622)
Operating profit/(loss)	4	**632**	**(50)**	**582**	566	13	579
Finance income		**1**	**29**	**30**	9	38	47
Finance expense		**(56)**	**(13)**	**(69)**	(54)	(15)	(69)
Gain from investment at fair value through profit and loss (FVTPL)		**-**	**-**	**-**	1	-	1
Results from joint venture		**1**	**-**	**1**	-	-	-
Profit/(loss) before tax		**578**	**(34)**	**544**	522	36	558
Tax	6	**(129)**	**5**	**(124)**	(115)	(13)	(128)
Profit/(loss) for the year		**449**	**(29)**	**420**	407	23	430
Attributable to:							
Non-controlling interests		**(1)**	**-**	**(1)**	(1)	-	(1)
Equity holders of the parent		**450**	**(29)**	**421**	408	23	431
		449	**(29)**	**420**	407	23	430
Earnings per share (cents)	8						
Basic		**194.8**		**182.3**	172.9		182.6
Diluted		**193.1**		**180.7**	171.4		181.1

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Hikma Pharmaceuticals PLC
Consolidated statement of comprehensive income
For the year ended 31 December 2021

	2021 Reported results $m	2020 Reported results $m
Profit for the year	**420**	430
Other comprehensive income Items that may subsequently be reclassified to the consolidated income statement, net of tax:		
Currency translation and hyperinflation movement	**(22)**	39
Items that will not subsequently be reclassified to the consolidated income statement, net of tax:		
Remeasurement of post-employment benefit obligations	**(1)**	(1)
Change in investments at fair value through other comprehensive income (FVTOCI)	**14**	2
Total other comprehensive income for the year	**(9)**	40
Total comprehensive income for the year	**411**	470
Attributable to:		
Non-controlling interests	**2**	2
Equity holders of the parent	**409**	468
	411	470

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Hikma Pharmaceuticals PLC
Consolidated balance sheet
At 31 December 2021

	Note	2021 $m	2020 (restated)[1] $m
Non-current assets			
Goodwill	9	**285**	289
Other intangible assets	9	**607**	587
Property, plant and equipment		**1,072**	1,009
Right-of-use assets		**74**	59
Investments in joint ventures		**10**	9
Deferred tax assets		**183**	221
Financial and other non-current assets		**47**	39
		2,278	2,213
Current assets			
Inventories		**695**	757
Income tax receivable		**60**	36
Trade and other receivables[1]	10	**816**	700
Collateralised and restricted cash		**-**	4
Cash and cash equivalents		**426**	323
Other current assets[1]		**97**	102
		2,094	1,922
Total assets		**4,372**	4,135
Current liabilities			
Short-term financial debts	11	**112**	158
Lease liabilities		**9**	10
Trade and other payables	12	**468**	470
Income tax payable		**57**	72
Other provisions		**31**	28
Other current liabilities		**339**	290
		1,016	1,028
Net current assets		**1,078**	894
Non-current liabilities			
Long-term financial debts	13	**651**	692
Lease liabilities		**74**	72
Deferred tax liabilities		**24**	31
Other non-current liabilities		**140**	164
		889	959
Total liabilities		**1,905**	1,987
Net assets		**2,467**	2,148
Equity			
Share capital		**42**	41
Share premium		**282**	282
Other reserves		**(60)**	(80)
Retained earnings		**2,189**	1,892
Equity attributable to equity holders of the parent		**2,453**	2,135
Non-controlling interests		**14**	13
Total equity		**2,467**	2,148

1. In 2021, prepayments have been reclassified under other current assets which were previously classified under trade and other receivables, and hence at 31 December 2020 numbers have been restated reflecting $56 million reclassification from trade and other receivables to other current assets. Had this reclassification been applied at 1 January 2020, these line items would have been restated by $49 million. (Note 10)

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Hikma Pharmaceuticals PLC
Consolidated statement of changes in equity
For the year ended 31 December 2021

	Merger and revaluation reserves[1] $m	Translation reserve $m	Total other reserves $m	Retained earnings $m	Share capital $m	Share premium $m	Equity attributable to equity shareholders of the parent $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2020	57	(235)	(178)	1,972	41	282	2,117	12	2,129
Profit for the year[2]	62	-	62	369	-	-	431	(1)	430
Change in fair value of investments at FVTOCI	-	-	-	2	-	-	2	-	2
Remeasurement of post-employment benefit obligations	-	-	-	(1)	-	-	(1)	-	(1)
Currency translation and hyperinflation movement	-	36	36	-	-	-	36	3	39
Total comprehensive income for the year	**62**	**36**	**98**	**370**	**-**	**-**	**468**	**2**	**470**
Total transactions with owners, recognised directly in equity									
Cost of equity-settled employee share scheme	-	-	-	27	-	-	27	-	27
Dividends paid (Note 7)	-	-	-	(109)	-	-	(109)	(1)	(110)
Share buyback	-	-	-	(368)	-	-	(368)	-	(368)
Balance at 31 December 2020 and 1 January 2021	**119**	**(199)**	**(80)**	**1,892**	**41**	**282**	**2,135**	**13**	**2,148**
Profit for the year[2]	48	-	48	373	-	-	421	(1)	420
Change in fair value of investments at FVTOCI	-	-	-	14	-	-	14	-	14
Realisation of revaluation reserve	(3)	-	(3)	3	-	-	-	-	-
Remeasurement of post-employment benefit obligations	-	-	-	(2)	-	-	(2)	-	(2)
Tax arising on remeasurement of post-employment benefit obligations	-	-	-	1	-	-	1	-	1
Currency translation and hyperinflation movement	-	(25)	(25)	-	-	-	(25)	3	(22)
Total comprehensive income for the year	**45**	**(25)**	**20**	**389**	**-**	**-**	**409**	**2**	**411**
Total transactions with owners, recognised directly in equity									
Cost of equity-settled employee share scheme	-	-	-	29	-	-	29	-	29
Exercise of employees share scheme	-	-	-	(1)	1	-	-	-	-
Dividends paid (Note 7)	-	-	-	(120)	-	-	(120)	(1)	(121)
Balance at 31 December 2021	**164**	**(224)**	**(60)**	**2,189**	**42**	**282**	**2,453**	**14**	**2,467**

1. Merger and revaluation reserves mainly relates to Columbus business acquisition in 2016
2. A net Impairment reversal of $48 million has been allocated from retained earnings to the merger and revaluation reserves in relation to Columbus business acquisition intangible assets (2020: $62 million) (Notes 5 and 9)

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Hikma Pharmaceuticals PLC
Consolidated cash flow statement
For the year ended 31 December 2021

	Note	2021 $m	2020 $m
Cash flows from operating activities			
Cash generated from operations	14	**767**	525
Income taxes paid		**(131)**	(68)
Income taxes received		**2**	7
Net cash inflow from operating activities		**638**	464
Cash flow from investing activities			
Purchases of property, plant and equipment		**(145)**	(172)
Purchase of intangible assets		**(84)**	(52)
Proceeds from sale of investment at FVTOCI		**5**	-
Additions of investments at FVTOCI		**(3)**	(5)
Proceeds from investment divestiture		**1**	2
Contingent consideration paid		**(17)**	(60)
Interest income received		**2**	7
Investment related amounts released from/ (held in) escrow account		**3**	(3)
Net cash outflow from investing activities		**(238)**	(283)
Cash flow from financing activities			
Proceeds from issue of long-term financial debts		**10**	1,543
Repayment of long-term financial debts		**(45)**	(1,372)
Proceeds from short-term borrowings		**383**	430
Repayment of short-term borrowings		**(431)**	(367)
Repayment of lease liabilities		**(31)**	(14)
Dividends paid	7	**(120)**	(109)
Dividends paid to non-controlling shareholders of subsidiaries		**(1)**	(1)
Interest and bank charges paid		**(50)**	(39)
Share buyback		**-**	(375)
Commitment fees received related to the share buyback		**-**	7
Payment to co-development and earnout payment agreement		**(2)**	(1)
Net cash outflow from financing activities		**(287)**	(298)
Net increase/(decrease) in cash and cash equivalents		**113**	(117)
Cash and cash equivalents at beginning of year		**323**	442
Foreign exchange translation movements		**(10)**	(2)
Cash and cash equivalents at end of year		**426**	323

Hikma Pharmaceuticals PLC
Notes to the consolidated financial statements

1. Accounting policies

General information

Hikma Pharmaceuticals PLC is a public limited liability company incorporated and domiciled in United Kingdom under the Companies Act 2006.

The Group's principal activities are the development, manufacturing, marketing and selling of a broad range of generic, branded and in-licensed pharmaceuticals products in solid, semi-solid, liquid and injectable final dosage forms.

Basis of preparation

Hikma Pharmaceuticals PLC's consolidated financial statements have been prepared in accordance with:

(i) UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework

(ii) IFRS as issued by the International Accounting Standards Board (IASB)

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation to fair value of certain financial assets and liabilities .

The accounting policies included in this note have been applied consistently other than where new policies have been adopted.

The Group's previously published consolidated financial statements were prepared in accordance with:

(i) IFRS in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006. In addition to complying with IFRS in conformity with the requirements of the Companies Act 2006, 2020 financial statements also comply with IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union

(ii) IFRS as issued by the International Accounting Standards Board (IASB)

The presentational and functional currency of Hikma Pharmaceuticals PLC is the US dollar as the majority of the Company's business is conducted in US dollars.

Adoption of new and revised standards

The following revised Standards and Interpretations have been issued and are effective for annual periods beginning on 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

— Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedient: A practical expedient to require contractual

changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

These amendments had no significant impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

— IFRIC agenda decision – Configuration and customisation costs in a Cloud Computing Arrangement

The March 2021 IFRS Interpretation Committee update included an agenda decision on configuration and customisation costs in a cloud computing arrangement involving Software as a Service (SaaS). The agenda decision included guidance on how entities should account for such configuration and customisation costs.

The Group has adopted the IFRIC update as a change in accounting policy. The impact relating to prior year was not material and therefore the application was not retrospectively applied and was recognised in the current year consolidated income statement as exceptional item (Notes 5 and 9).

Exceptional items and other adjustments

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 and to improve comparability of our consolidated financial statements to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. We represent and discuss our Group and segmental financials reconciled between reported and core results. This presentation allows for full visibility and transparency of our financials so that shareholders are able to clearly assess the performance factors of the Group.

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

Exceptional items

Exceptional items represent adjustments for costs and profits which management believes to be exceptional in nature by virtue of their size or incidence, or have a distortive effect on current year earnings, such as costs associated with business combinations, one-off gains and losses on disposal of businesses assets, reorganisation costs and any exceptional items related to tax such as significant tax benefit/expense associated with previously unrecognised deferred tax assets/liabilities.

Other adjustments

These include amortisation, impairment charge/reversal of intangible assets excluding software and finance income and expense resulting from remeasurement and unwinding of contingent consideration and co-development earnout payment agreement financial liabilities.

Intangible assets

An intangible asset is recognised if all the below conditions are met:

— it is identifiable

— it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group

— the cost of the asset can be measured reliably

The probability of expected future economic benefits is assessed using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. The assets are amortised on a straight-line basis on the following amortisation rates:

Customer relationships	10%
Product related intangibles	5% to 33%
Trade names	10%
Marketing rights	7% to 33%
Software	10% to 33%

Judgement is used to assess the degree of certainty attached to the flow of future economic benefits that are attributable to the use of the asset on the basis of the evidence available at the time of initial recognition, giving greater weight to external evidence.

Expenditures on research and development activities are charged to the consolidated income statement, except only when the criteria for recognising an internally generated intangible asset is met, which is usually when approval from the relevant regulatory authority is considered probable.

Also, the Group engages with third-party research and development companies to develop products on its behalf. Substantial payments made to such third parties to fund research and development efforts are recognised as intangible assets if the capitalisation criteria for an intangible asset are met, which typically is when licence fees and certain milestone payments are made, all other payments are charged to the consolidated income statement.

Principal intangible assets are:

(a) Goodwill: arising in a business combination and is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date fair value of the identifiable assets, liabilities and acquired contingent liabilities. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the consolidated income statement as a bargain purchase gain.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of any profit or loss on disposal in the consolidated income statement

(b) Product related intangibles:

(i) Product files and in-licensed products recognised through acquisitions and partnerships are amortised over their useful economic lives once the asset is ready for use

(ii) In process product files recognised on acquisition are amortised over the useful economic life once the asset is ready for use

(c) Purchased software: is amortised over the useful economic life when the asset is ready for use

Other identified intangibles are:

(d) Customer relationships: represent the value attributed to the long-term relationships held with existing customers that the Group acquired on business combinations. Customer relationships are amortised over their useful economic life

(e) Trade names: are amortised over their useful lives from the date of acquisition

(f) Marketing rights: are amortised over their useful lives commencing in the year in which the rights first generate sales

2. Going concern

The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. Taking into account the Group's current position and its principal risks for a period longer than 12 months from the date of signing the consolidated financial statement, a going concern analysis has been prepared using realistic scenarios applying a severe but plausible downside which shows sufficient liquidity headroom. Therefore, the Directors believe that the Group and its subsidiaries are adequately placed to manage its business and financing risks successfully, despite the current uncertain economic outlook. Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Financial covenants are suspended while the Group retains its investment grade status from two rating agencies[1]. Nevertheless, the covenants are monitored and the Group was in compliance on 31 December 2021 and expects to remain in compliance with those covenants for the year ending in December 2022 even in the severe but plausible downside scenarios. As of 31 December 2021, the Group's investment grade rating was affirmed by S&P and Fitch.

1.Rating agencies: means each of Fitch, Moody's and S&P or any of their affiliates or successors

3. Revenue from contracts with customers

Business and geographical markets

The following table provides an analysis of the Group's reported sales by segment and geographical market, irrespective of the origin of the goods/services:

Year ended 31 December 2021	**Injectables $m**	**Generics $m**	**Branded $m**	**Others $m**	**Total $m**
United States	**691**	**820**	**-**	**-**	**1,511**
Middle East and North Africa	**180**	**-**	**661**	**6**	**847**
Europe and rest of the world	**176**	**-**	**8**	**5**	**189**
United Kingdom	**6**	**-**	**-**	**-**	**6**
	1,053	**820**	**669**	**11**	**2,553**

Year ended 31 December 2020	Injectables $m	Generics $m	Branded $m	Others $m	Total $m
United States	662	744	-	-	1,406
Middle East and North Africa	160	-	605	5	770
Europe and rest of the world	149	-	8	2	159
United Kingdom	6	-	-	-	6
	977	744	613	7	2,341

The top selling markets in 2021 are as below:

	2021 $m	2020 $m
United States	**1,511**	1,406
Saudi Arabia	**218**	223
Egypt	**127**	118
	1,856	1,747

In 2021, included in revenue arising from the Generics and Injectables segments are sales the Group made to two wholesalers in the US accounting for equal to or greater than 10% of the Group's revenue on an individual basis of $402 million (16% of Group revenue) and $341 million (13% of Group revenue), in 2020: $333 million (14% of Group revenue) and $274 million (12% of Group revenue).

The following table provides contract balances related to revenue:

	2021 $m	2020 $m
Trade receivables (Note 10)	**781**	662
Contract assets	**-**	3
Contract liabilities	**213**	162

Trade receivables are non-interest bearing and typical credit terms in the US range from 30 to 90 days, in Europe 30 to 120 days, and in MENA 180 to 360 days.

Contract liabilities mainly relate to returns and free goods provisions.

4. Business segments

For management reporting purposes, the Group is organised into three principal operating divisions – Injectables, Generics and Branded. These divisions are the basis on which the Group reports its segmental information.

Core operating profit, defined as 'segment result', is the principal measure used in the decision-making and resource allocation process of the chief operating decision maker, who is the Group's Chief Executive Officer.

Information regarding the Group's operating segments is reported below:

Injectables	**2021 Core results $m**	**2021 Exceptional items and other adjustments (Note 5) $m**	**2021 Reported results $m**	2020 Core results $m	2020 Exceptional items and other adjustments (Note 5) $m	2020 Reported results $m
Revenue	**1,053**	**-**	**1,053**	977	-	977
Cost of sales	**(472)**	**-**	**(472)**	(414)	-	(414)
Gross profit	**581**	**-**	**581**	563	-	563
Total operating expenses	**(186)**	**(44)**	**(230)**	(186)	(23)	(209)
Segment result	**395**	**(44)**	**351**	377	(23)	354

Generics	**2021 Core results $m**	**2021 Exceptional items and other adjustments (Note 5) $m**	**2021 Reported results $m**	2020 Core results $m	2020 Exceptional items and other adjustments (Note 5) $m	2020 Reported results $m
Revenue	**820**	**-**	**820**	744	-	744
Cost of sales	**(432)**	**-**	**(432)**	(403)	(12)	(415)
Gross profit	**388**	**-**	**388**	341	(12)	329
Total operating expenses	**(186)**	**15**	**(171)**	(180)	54	(126)
Segment result	**202**	**15**	**217**	161	42	203

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Branded	**2021 Core results $m**	**2021 Exceptional items and other adjustments (Note 5) $m**	**2021 Reported results $m**	2020 Core results $m	2020 Exceptional items and other adjustments (Note 5) $m	2020 Reported results $m
Revenue	**669**	**-**	**669**	613	-	613
Cost of sales	**(341)**	**-**	**(341)**	(306)	-	(306)
Gross profit	**328**	**-**	**328**	307	-	307
Total operating expenses	**(203)**	**(21)**	**(224)**	(181)	(6)	(187)
Segment result	**125**	**(21)**	**104**	126	(6)	120

Others[1]	**2021 Core results $m**	**2021 Exceptional items and other adjustments (Note 5) $m**	**2021 Reported results $m**	2020 Core results $m	2020 Exceptional items and other adjustments (Note 5) $m	2020 Reported results $m
Revenue	**11**	**-**	**11**	7	-	7
Cost of sales	**(6)**	**-**	**(6)**	(5)	-	(5)
Gross profit	**5**	**-**	**5**	2	-	2
Total operating expenses	**(3)**	**-**	**(3)**	(2)	-	(2)
Segment result	**2**	**-**	**2**	-	-	-

1.Others mainly comprises Arab Medical Containers LLC and International Pharmaceutical Research Center LLC

Group	**2021 Core results $m**	**2021 Exceptional items and other adjustments (Note 5) $m**	**2021 Reported results $m**	2020 Core results $m	2020 Exceptional items and other adjustments (Note 5) $m	2020 Reported results $m
Segment result	**724**	**(50)**	**674**	664	13	677
Unallocated expenses[2]	**(92)**	**-**	**(92)**	(98)	-	(98)
Operating profit/(loss)	**632**	**(50)**	**582**	566	13	579
Finance income	**1**	**29**	**30**	9	38	47
Finance expense	**(56)**	**(13)**	**(69)**	(54)	(15)	(69)
Gain from investment at FVTPL	**-**	**-**	**-**	1	-	1
Results from joint venture	**1**	**-**	**1**	-	-	-
Profit/(loss) before tax	**578**	**(34)**	**544**	522	36	558
Tax	**(129)**	**5**	**(124)**	(115)	(13)	(128)
Profit/(loss) for the year	**449**	**(29)**	**420**	407	23	430
Attributable to:						
Non-controlling interests	**(1)**	**-**	**(1)**	(1)	-	(1)
Equity holders of the parent	**450**	**(29)**	**421**	408	23	431
	449	**(29)**	**420**	407	23	430

2.Unallocated corporate expenses mainly comprise employee costs, third-party professional fees and IT expenses

The following table provides an analysis of the Group non-current assets[1] by geographic area:

	2021 $m	2020 $m
United States	1,083	995
Middle East and North Africa		
Jordan	365	356
Others	321	307
	686	663
Europe and rest of the world		
Portugal	136	137
Others	52	55
	188	192
United Kingdom	81	94
	2,038	1,944

1.Non-current assets exclude investments in joint ventures, deferred tax assets, and financial and other non-current assets

5. Exceptional items and other adjustments

Exceptional items and other adjustments are disclosed separately in the consolidated income statement to assist in the understanding of the Group's core performance.

	2021	Generics $m	Injectables $m	Branded $m	Unallocated $m	Total $m
Exceptional items						
Intangible assets write-down	Other operating expenses	(1)	(1)	(11)	-	(13)
Exceptional items		(1)	(1)	(11)	-	(13)
Other adjustments						
Impairment reversal of product related intangibles	Other operating income	60	-	-	-	60
Impairment of product related intangibles	Other operating expenses	(14)	(10)	-	-	(24)
Intangible assets amortisation other than software	SG&A	(30)	(33)	(10)	-	(73)
Remeasurement of contingent consideration	Finance income	-	-	-	29	29
Unwinding and remeasurement of contingent consideration and other financial liability	Finance expense	-	-	-	(13)	(13)
Exceptional items and other adjustments included in profit before tax		15	(44)	(21)	16	(34)
Tax effect	Tax					5
Impact on profit for the year						(29)

Exceptional items have been recognised in accordance with our accounting policy outlines in Note 1, the details are presented below:

Exceptional items

— Intangible assets write-down: $13 million write-down of software representing prior year impact of the application of the IFRIC April 2021 agenda decisions regarding cloud computing arrangement customisation and configuration costs treatment. The Group has adopted the IFRIC update as a change in accounting policy. The impact relating to prior year was not material and therefore the application was not retrospectively applied and was recognised in the current year consolidated income statement as exceptional item (Note 1)

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Other adjustments

- Impairment reversal of product related intangibles: $60 million impairment reversal mainly related to generic Advair Diskus® intangible asset as a result of launching the product following FDA approval in April 2021 following an amendment submitted to its Abbreviated New Drug Application in January 2021 (Note 9)
- Impairment of product related intangibles: $24 million impairment charge of different product related intangibles due to a decline in performance and forecasted profitability (Note 9)
- Intangible assets amortisation other than software of $73 million
- Remeasurement of contingent consideration finance income of $29 million represents the income resulting from the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations
- Unwinding and remeasurement of contingent consideration and other financial liability finance expense of $13 million represents the expense resulting from the unwinding and the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement

In the previous year, exceptional items and other adjustments were related to the following:

	2020	Generics $m	Injectables $m	Branded $m	Unallocated $m	Total $m
Exceptional Items						
Jordan warehouse fire incident	Other operating income	4	-	7	-	11
MENA severance and restructuring costs	SG&A	-	-	(3)	-	(3)
Assets write off – PPE Impairment	Other operating expenses	(3)	-	-	-	(3)
Assets write off – Inventory Related Provision	Cost of sales	(12)	-	-	-	(12)
Exceptional items		(11)	-	4	-	(7)
Other adjustments						
Impairment of product related intangibles	Other operating expenses	(4)	-	-	-	(4)
Impairment reversal of product related intangibles	Other operating income	66	-	-	-	66
Intangible assets amortisation other than software	SG&A	(9)	(23)	(10)	-	(42)
Remeasurement of contingent consideration	Finance income	-	-	-	38	38
Unwinding and remeasurement of contingent consideration and other financial liability	Finance expense	-	-	-	(15)	(15)
Exceptional items and other adjustments including in profit before tax		42	(23)	(6)	23	36
Tax expenses associated with previously unrecognised deferred tax assets	Tax					(3)
Tax effect	Tax					(10)
Impact on profit for the year						23

Exceptional items

- Jordan warehouse fire incident: In 2020, Hikma recognised $11 million for insurance compensation related to a fire incident which took place in 2019 at one of Hikma's Jordan facilities
- MENA severance and restructuring costs: of $3 million related to one-off organisational restructuring in MENA that started in 2019 and finished in 2020
- Assets write off: In December 2020, Hikma submitted to the FDA a Prior Approval Supplement (PAS) relating to generic Advair Diskus®. The amendment reflected enhanced packaging controls to meet new industry standards adopted since the initial submission of its ANDA

application. As a result, the launch has been temporarily paused and inventory amounting to $12 million was expected to expire before launch and has been written off. In addition, $3 million of property, plant and equipment was written off

— Tax expense associated with previously unrecognised deferred tax assets: A prior year adjustment to the tax expense associated with previously unrecognised deferred tax assets of $3 million arose as a tax return to provision adjustment

Other adjustments

— Impairment reversal of product related intangibles: $66 million impairment reversal in respect of specific product related intangibles in the Generics segment which reflected a better than expected performance of certain marketed products acquired through business combination (Note 9)

— Impairment charge of product related intangibles of $4 million

— Intangible assets amortisation other than software of $42 million

— Remeasurement of contingent consideration finance income of $ 38 million represents the income resulting from the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations

— Unwinding and remeasurement of contingent consideration and other financial liability finance expense of $15 million represents the expense resulting from the unwinding and the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement

6. Tax

	2021 Core results $m	**2021 Exceptional items and other adjustments (Note 5) $m**	**2021 Reported results $m**	2020 Core results $m	2020 Exceptional items and other adjustments (Note 5) $m	2020 Reported results $m
Current tax:						
Foreign tax	**114**	**(7)**	**107**	99	(2)	97
Adjustment to prior year	**(13)**	**-**	**(13)**	1	3	2
Deferred tax						
Current year	**20**	**2**	**22**	19	12	31
Adjustment to prior year	**8**	**–**	**8**	(2)	-	(2)
	129	**(5)**	**124**	115	13	128

UK corporation tax is calculated at 19.0% (2020: 19.0%) of the estimated assessable profit made in the UK for the year.

The Group incurred a tax expense of $124 million (2020: $128 million). The effective tax charge rate is 22.8% (2020: 22.9%). The reported effective tax rate is higher than the statutory rate primarily due to the earnings mix .

Taxation for all jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

The charge for the year can be reconciled to profit before tax per the consolidated income statement as follows:

	2021 $m	2020 $m
Profit before tax	**544**	558
Tax at the UK corporation tax rate of 19% (2020: 19.00%)	**104**	106
Profits taxed at different rates	**7**	7
Permanent differences:		
- Non-deductible expenditure	**5**	7
- Other permanent differences	**2**	-
- Research and development benefit	**(6)**	(3)
State and local taxes	**7**	8
Temporary differences:		
- Rate change tax losses and other deductible temporary differences for which no benefit is recognised	**5**	6
- Exceptional tax charge associated with previously unrecognised tax losses (Note 5)	**-**	3
Change in provision for uncertain tax positions	**2**	(8)
Unremitted earnings	**3**	4
Prior year adjustments	**(5)**	(2)
Tax expense for the year	**124**	128

Profits taxed at different tax rates relates to profits arising in overseas jurisdictions where the tax rate differs from the UK statutory rate. Permanent differences relate to items which are non-taxable or for which no tax relief is ever likely to be due. The major items are expenses and income disallowed where they are covered by statutory exemptions, foreign exchange differences in some territories and statutory reliefs such as research and development.
Rate change tax losses and other deductible temporary differences for which no benefit is recognised includes items for which it is not possible to book deferred tax and comprise mainly unrecognised tax losses.

The change in provision for uncertain tax positions relates to the provisions the Group holds in the event a revenue authority successfully takes an adverse view of the positions adopted by the Group in 2021 and primarily relates to transfer pricing adjustment. As at the consolidated balance sheet date, the Group held an aggregate provision in the sum of $44 million (2020: $43 million) for uncertain tax positions. The Group released $nil in 2021 (2020: $8 million) due to the statute of limitations and released $7 million (2020: $4 million) following settlements with no final tax adjustments required by the relevant tax authorities. This was offset by new provisions and updates of $9 million booked in 2021 (2020: $4 million). The currency exchange differences for the year is a $1 million reduction to the aggregate provision. In 2022, up to $4 million could be released due to the statute of limitation and settlements. If all areas of uncertainty were audited and all areas resulted in an adverse outcome, management does not believe any material additional tax would be payable beyond what is provided.

Prior year adjustments include differences between the tax liability recorded in the tax returns submitted for previous years and the estimated tax provision reported in a prior period's consolidated financial statements. This category also includes adjustments to the tax returns (favourable) against which an adverse uncertain tax position has been booked and included under "change in provision for uncertain tax positions" above.

Publication of tax strategy

In line with the UK requirement for large UK businesses to publish their tax strategy, the Group's tax strategy has been made available on the Group's website.

7. Dividends

	Paid in 2021 $m	Paid in 2020 $m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2020 of 34.0 cents (31 December 2019: 30.0 cents) per share	**78**	72
Interim dividend during the year ended 31 December 2021 of 18.0 cents (31 December 2020: 16.0 cents) per share	**42**	37
	120	109

The proposed final dividend for the year ended 31 December 2021 is 36.0 cents (2020: 34.0 cents). The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 25 April 2022 and has not been included as a liability in these consolidated financial statements. Based on the number of shares in free issue at 31 December 2021 (231,498,055), the unrecognised liability is $83 million.

8. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of Ordinary Shares. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of the Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all dilutive potentially Ordinary Shares. The number of Ordinary Shares used for the basic and diluted calculations is shown in the table below. Core basic earnings per share and core diluted earnings per share are intended to highlight the core results of the Group before exceptional items and other adjustments.

	2021 Core results $m	**2021 Exceptional items and other adjustments (Note 5)** $m	**2021 Reported results** $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 5) $m	2020 Reported results $m
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**450**	**(29)**	**421**	408	23	431

Basic earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year after deducting Treasury shares and shares held by the Employee Benefit Trust (EBT). Treasury shares have no right to receive dividends and the trustees have waived their rights to dividends on the shares held by the EBT.

The numbers of shares used in calculating basic and diluted earnings per share are reconciled below:

	2021 Number m	2020 Number m
Number of shares		
Weighted average number of Ordinary Shares for the purposes of basic EPS[1]	**231**	236
Effect of dilutive potentially Ordinary Shares:		
Share-based awards	**2**	2
Weighted average number of Ordinary Shares for the purposes of diluted EPS	**233**	238

1.Weighted average number of ordinary shares has been calculated by the weighted average number of shares in issue during the year after deducting Treasury shares and shares held by the EBT

	2021 Core EPS Cents	2021 Reported EPS Cents	2020 Core EPS Cents	2020 Reported EPS Cents
Basic	**194.8**	**182.3**	172.9	182.6
Diluted	**193.1**	**180.7**	171.4	181.1

9. Goodwill and other intangible assets

The changes in the carrying value of goodwill and other intangible assets for the years ended 31 December 2021 and 31 December 2020 are as follows:

	Goodwill $m	Product-related intangibles $m	Software $m	Other identified intangibles $m	Total $m
Cost					
Balance at 1 January 2020	690	1,033	147	184	2,054
Additions	-	8	12	16	36
Disposals	-	-	(14)	-	(14)
Translation adjustments	7	-	-	5	12
Balance at 1 January 2021	**697**	**1,041**	**145**	**205**	**2,088**
Write-down	-	-	(14)	-	(14)
Additions	-	14	11	58	83
Reclassification	-	3	-	(3)	-
Translation adjustments	(4)	(2)	-	(3)	(9)
Balance at 31 December 2021	**693**	**1,056**	**142**	**257**	**2,148**
Accumulated amortisation and impairment					
Balance at 1 January 2020	(408)	(660)	(75)	(77)	(1,220)
Charge for the year	-	(29)	(10)	(14)	(53)
Disposals	-	-	14	-	14
Impairment reversal	-	66	-	-	66
Impairment charge	-	(5)	(10)	-	(15)
Translation adjustments	-	(1)	-	(3)	(4)
Balance at 1 January 2021	**(408)**	**(629)**	**(81)**	**(94)**	**(1,212)**
Write-down	-	-	1	-	1
Charge for the year	-	(59)	(11)	(14)	(84)
Impairment reversal	-	60	-	-	60
Impairment charge	-	(23)	-	(1)	(24)
Translation adjustments	-	1	-	2	3
Balance at 31 December 2021	**(408)**	**(650)**	**(91)**	**(107)**	**(1,256)**
Carrying amount					
At 31 December 2021	**285**	**406**	**51**	**150**	**892**
At 31 December 2020	289	412	64	111	876

Of the total intangible assets other than goodwill, $132 million (2020: $252 million) are under development and not yet subject to amortisation.

Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	As at 31 December	
	2021	2020
	$m	$m
Branded	**170**	173
Injectables	**115**	116
Total	**285**	289

In accordance with the Group policy, goodwill is tested annually for impairment during the fourth quarter or more frequently if there are indicators that goodwill may be impaired.

Branded, Injectables and Generics CGUs

Details related to the discounted cash flow models used in the impairment tests of the Branded, Injectables and Generics CGUs are as follows:

Valuation basis	**VIU**				
Key assumptions	Sales growth rates, informed by pricing and volume assumptions Profit margins and profit margin growth rates for marketed and pipeline products Expected launch dates for pipeline products Terminal growth rates Discount rates				
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information, informed by historical experience and management's best estimates of the future Margins reflect past experience, adjusted for expected changes in the future Establishing the launch date and probability of a successful product approval for pipeline products Terminal growth rates are based on the Group's experience in its markets Discount rates for each CGU are derived from specific regions/countries				
Period of specific projected cash flows	5 years, to which a terminal growth rate is then applied				
Terminal growth rate and discount rate		Terminal growth rate (perpetuity)		Pre-tax discount rate	
		2021	2020	**2021**	2020
	Branded	2.4%	2.4%	15.4%	16.6%
	Injectables	2.1%	2.1%	10.2%	11.1%
	Generics	2.3%	2.3%	9.9%	12.7%

The Group performed its annual goodwill and CGU impairment test for the Branded, Injectables and Generics. The Group's model is a VIU model based on the discounted value of the best estimates derived from the key assumptions to arrive at the recoverable value. This value is then compared to the carrying value of the CGU to determine whether an impairment is required. In addition, the Group models sensitivities on the VIU amounts calculated to determine whether reasonable changes in key assumptions could lead to a potential impairment. If such reasonable changes would result in an impairment, then in accordance with IAS36 these are disclosed below.

For the Branded, Injectables and Generics CGUs the Group has determined that sufficient headroom[1] still exists under reasonable changes in key assumptions. Specifically, an evaluation of the CGUs was made assuming an increase of two percentage points in the discount rate, or a 10% decline in the projected cash flows, or a 5% decline in the projected cash flows in the terminal year or reducing the terminal growth rate by two percentage points and in all cases sufficient headroom exists.

Climate-related matters: The Group monitors the development of climate related risks. At the current time, climate change is not expected to have a material impact on the consolidated financial statements. The Group conducted a sensitivity for the potential impact of climate change, specifically assuming disruption through extreme weather events, such scenario had minimal impact on the recoverable values of all CGUs.

1.Headroom is defined as the excess of the recoverable value, over the carrying value of a CGU

Generic Advair Diskus® CGU

The Group evaluated generic Advair Diskus® as a separate CGU, mainly due to its distinct assets and liabilities and its ability to generate largely independent cash flows.

As per the Group policy, the launching of generic Advair Diskus® following FDA approval in April 2021 of an amendment submitted to its Abbreviated New Drug Application in January 2021 was considered as an indicator for an impairment reversal assessment. As a result, the Group evaluated the generic Advair Diskus® CGU recoverable amount based on fair value less cost to sell (FVLCS) model, being the higher value compared to VIU.

The evaluation resulted in a reversal of impairment of $46 million bringing the revised carrying value to $160 million. This valuation methodology uses significant inputs which are not based on observable market data, therefore this valuation technique is classified as a level 3 valuation. Details relating to the discounted cash flow model used for the generic Advair Diskus® impairment test are as follows:

Valuation basis	FVLCS
Key assumptions	Sales growth rates, informed by pricing and volume assumptions Profit margins and profit margin growth rates Useful life Discount rates
Determination of assumptions	Probability weighted average of different possibilities on sales growth rates, informed by conversion rates from the branded products and competitor entries Margins reflect past experience, adjusted for expected changes in the future Useful life reflects management best estimate of the product's expected economic benefit Discount rate is derived from the specific region/country in which the CGU operates
Period of specific projected cash flows	5 years
Useful life	15 years
Post-tax discount rate	8%

The Group performed sensitivity analysis over the valuation of the generic Advair Diskus® CGU. The sensitivity analysis assumed an increase of two percentage points in the discount rate or a 10% decline in the projected cash flows. Applying those sensitivities would result in an impairment charge against the generic Advair Diskus® CGU of approximately $13 million and $17 million, respectively.

Product-related intangible assets

In-Process Research and Development (IPR&D)

IPR&D consists of pipeline products of $6 million mainly related to Generics CGU of $5 million with immaterial amounts allocated to the Branded and Injectables CGUs. At 31 December 2020, IPR&D balance was $170 million mainly related to generic Advair Diskus® of $138 million which was launched during the year and transferred to product rights. These intangibles are not in use and accordingly, no amortisation has been charged against them. The Group performs an impairment review of IPR&D assets annually. The result of this test was an impairment charge of $9 million (2020: $4 million)

Product rights

Product rights consists of marketed products of $400 million (2020: $242 million) mainly related to generic Advair Diskus®.

Whenever impairment indicators are identified for definite life intangible assets, Hikma reconsiders the asset's estimated economic benefit, calculates the value of the individual assets or asset group's cash flows and compares such value against the individual asset's or asset group's carrying amount. If the carrying amount is greater, the Group records an impairment loss for the excess of book value over the valuation which is based on the discounted cash flows by applying an appropriate discount rate that reflects the risk factors associated with the cash flows and the CGUs under which these products sit. Furthermore, if there is an indication that previously recognised impairment losses no longer exist or have decreased, the Group estimates the assets' recoverable amounts. A previously recognised impairment loss is reversed only if there has been a sustained and discrete change in the assumptions and indicators used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for the asset in prior years. As at 31 December 2021, the result of this testing was an impairment charge of $14 million (2020: $1 million) related to different products due to declines in performance and forecasted profitability, and an impairment reversal of $60 million (2020: $66 million) comprising $46 million related to the generic Advair Diskus® intangible asset and $14 million for other products related to the Generics CGU due to improved performance.

The Group performed sensitivity analysis over the valuation of the generic Advair Diskus® intangible asset. The sensitivity analysis assumed an increase of two percentage points in the discount rate or a 10% decline in the projected cash flows, applying those sensitivities would result in an impairment charge against the generic Advair Diskus® intangible asset of approximately $11 million and $16 million, respectively.

Software

Software intangibles mainly represent the Enterprise Resource Planning solutions that are being implemented in different operations across the Group in addition to other software applications. The software has an average estimated useful life that varies from three to ten years.

In 2021, there was no impairment of software (2020: $10 million).

In 2021, the Group recorded a $13 million write-down of software previously capitalised as a result of application of the IFRIC April 2021 agenda decisions regarding cloud computing arrangement customisation and configuration costs treatment.

Other identified intangibles

Other identified intangibles comprise customer relationships, trade names and marketing rights of $150 million (2020: $111 million). The increase during the year represent payments made to third parties in relation to marketing rights and licensing agreements. Following a review of impairment indicators for

other identified intangibles as at 31 December 2021, there was an impairment charge of $1 million (2020: $nil).

Customer relationships

Customer relationships represent the value attributed to existing direct customers that the Group acquired on the acquisition of subsidiaries. The customer relationships have an average estimated useful life of 15 years.

Trade names

Trade names were mainly recognised on the acquisition of Hikma Germany GmbH (Germany) with estimated useful lives of ten years.

Marketing rights

Marketing rights are amortised over their useful lives commencing in the year in which the rights are ready for use with estimated useful lives varying from two to ten years.

10. Trade and other receivables

	As at 31 December	
	2021 $m	2020 (restated)[1] $m
Gross trade receivables	1,107	973
Chargebacks and other allowances	(275)	(256)
Related allowance for expected credit loss	(51)	(55)
Net trade receivables	781	662
VAT and sales tax recoverable	32	35
Other receivables	3	3
Net trade and other receivables[1]	816	700

1. In 2021, prepayments have been reclassified under other current assets which were previously classified under trade and other receivables, and hence at 31 December 2020 numbers have been restated reflecting $56 million reclassification from trade and other receivables to other current assets. Had this reclassification been applied at 1 January 2020, these line items would have been restated by $49 million

The fair value of receivables is estimated to be not significantly different from the respective carrying amounts.

Trade receivables are stated net of provisions for chargebacks and expected credit loss allowance as follows:

	As at 31 December 2020 $m	**Additions, net $m**	**Utilisation $m**	**Translation adjustments $m**	**As at 31 December 2021 $m**
Chargebacks and other allowances	**256**	**2,160**	**(2,141)**	**-**	**275**
Expected credit loss allowance	**55**	**-**	**(3)**	**(1)**	**51**
	311	**2,160**	**(2,144)**	**(1)**	**326**

	As at 31 December 2019 $m	Additions, net $m	Utilisation $m	Translation adjustments $m	As at 31 December 2020 $m
Chargebacks and other allowances	280	1,865	(1,889)	-	256
Expected credit loss allowance	55	2	(1)	(1)	55
	335	1,867	(1,890)	(1)	311

At 31 December 2021, the provision balance relating to chargebacks was $201 million (2020: $184 million) within what management believes is a reasonable range for the provision of $197 million to $205 million. The key inputs and assumptions included in calculating this provision are estimations of 'in

channel' inventory at the wholesalers (including processing lag) of 40 days (2020: 40 days) and the estimated chargeback rates as informed by average historical chargeback credits adjusted for expected chargeback levels for new products and estimated future sales trends. Based on the conditions existing at the balance sheet date an increase/decrease in the estimate of in channel inventory by 1 day increases/decreases the provision by $5 million (2020: $5million) and if the overall chargeback rate of 55% (2020: 55%) increases/decreases by one percentage point the provision would increase/decrease by $4 million (2020: $3 million).

At 31 December 2021 the provision balance relating to customer rebates was $55 million (2020: $57 million) within what management believes is a reasonable range for the provision of $54 million to $56 million. The key inputs and assumptions included in calculating this provision are historical relationships of rebates and payments to revenue, past payment experience, estimate of 'in channel' inventory at the wholesalers and estimated future trends. Based on the conditions existing at the balance sheet date, a ten basis point increase/decrease in the rebates rate of 6.5% (2020: 7.8%) would increase/decrease this provision by approximately $1 million (2020: $1 million).

11. Short-term financial debts

	As at 31 December	
	2021	2020
	$m	$m
Bank overdrafts	**3**	3
Import and export financing	**58**	67
Short-term loans	**3**	47
Current portion of long-term loans (Note 13)	**48**	41
	112	158

	2021	2020
	%	%
The weighted average interest rates incurred are as follows:		
Bank overdrafts	**3.21**	4.25
Bank loans (including the non-current bank loans)	**2.83**	3.04
Eurobond[1]	**3.58**	4.17
Import and export financing[2]	**6.39**	5.70

1. The Eurobond effective interest rate includes unwinding of discount amount and upfront fees
2. Import and export financing represents short-term financing for the ordinary trading activities of the Group

12. Trade and other payables

	As at 31 December	
	2021	2020
	$m	$m
Trade payables	**262**	279
Accrued expenses	**194**	175
Other payables	**12**	16
	468	470

The fair value of payables is estimated to be not significantly different from the respective carrying amounts.

13.Long-term financial debts

	As at 31 December	
	2021 $m	2020 $m
Long-term loans	**207**	242
Long-term borrowings (Eurobond)	**492**	491
Less: current portion of long-term loans (Note 11)	**(48)**	(41)
Long-term financial loans	**651**	692
Breakdown by maturity:		
Within one year	**48**	41
In the second year	**44**	48
In the third year	**37**	44
In the fourth year	**524**	36
In the fifth year	**23**	522
In the sixth year	**22**	21
Thereafter	**1**	21
	699	733
Breakdown by currency:		
US dollar	**620**	642
Euro	**44**	54
Jordanian dinar	**10**	13
Algerian dinar	**13**	14
Saudi riyal	**9**	9
Moroccan dirham	**3**	-
Tunisian dinar	**-**	1
	699	733

The loans are held at amortised cost.

Long-term loans amounting to $0.5 million (31 December 2020: $1 million) are secured on certain property, plant and equipment.

Major arrangements entered into by the Group were:

a) A syndicated revolving credit facility of $1,175 million was entered into on 27 October 2015. From the $1,175 million, $175 million matured on 24 December 2019, $130 million matured on January 2021 and the remaining $870 million matures on 24 December 2023. At 31 December 2021 the facility has an outstanding balance of $nil (2020: $nil) and a $870 million unused available limit (2020: $1,000 million). On 29 December 2021 the facility agreement has been increased to $1,150 million available for 5 years till Jan 2027 effective from 4 January 2022 with an extension options for additional 2 years. The facility can be used for general corporate purposes

b) A ten-year $150 million loan from the International Finance Corporation was entered into on 21 December 2017. There was full utilisation of the loan since April 2020. Quarterly equal repayments of the long-term loan have commenced on 15 March 2021. The loan was used for general corporate purposes. The facility matures on 15 December 2027

c) Hikma issued a $500 million (carrying value at 31 December 2021 of $492 million, and fair value at 31 December 2021 of $515 million) 3.25%, five-year Eurobond on 9 July 2020 with a rating of (BBB-/Ba1) which is due in July 2025. The proceeds of the issuance were $494 million which were used for general corporate purposes

d) An eight-year $200 million loan facility from the International Finance Corporation and Managed Co-lending Portfolio program was entered into on 26 October 2020. There was no utilisation of the loan as of December 2021. The facility matures on 15 September 2028 and can be used for general corporate purposes

14. Cash generated from operating activities

	2021 $m	2020 $m
Profit before tax	544	558
Adjustments for:		
Depreciation, amortisation, impairment charges/reversals and write-down of:		
Property, plant and equipment	72	77
Intangible assets	61	2
Right of Use of Assets	12	12
Gain from investment at FVTPL	-	(1)
Loss on disposal/damage of property, plant and equipment	1	2
Movement in provisions	2	4
Cost of equity-settled employee share scheme	29	27
Finance income	(30)	(47)
Interest and bank charges	69	69
Results from joint venture	1	-
Foreign exchange loss and net monetary hyperinflation impact	36	30
Changes in working capital:		
Change in trade and other receivables	(166)	(47)
Change in other current assets	27	(14)
Change in inventories	38	(180)
Change in trade and other payables	14	6
Change in other current liabilities	62	41
Change in other non-current liabilities	(5)	(14)
Cash flow from operating activities	**767**	**525**

15. Contingent liabilities

Guarantees and letters of credit

A contingent liability existed at the balance sheet date in respect of external guarantees and letters of credit totalling $45 million (31 December 2020: $41 million) arising in the normal course of business. No provision for these liabilities has been made in these consolidated financial statements.

A contingent liability existed at the balance sheet date for a standby letter of credit totalling $10 million (2020: $8 million) for a potential stamp duty obligation that may arise for repayment of a loan by intercompany guarantors. It's not probable that the repayment will be made by the intercompany guarantors.

Legal Proceedings

The Group is involved in a number of legal proceedings in the ordinary course of its business, including actual or threatened litigation and actual or potential government investigations relating to employment matters, product liability, commercial disputes, pricing, sales and marketing practices, infringement of IP rights, the validity of certain patents and competition laws.

Most of the claims involve highly complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of a loss, if any, being sustained and/or an estimate of the amount of any loss is difficult to ascertain. It is the Group's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable.

— In 2018, the Group received a civil investigative demand from the US Department of Justice requesting information related to products, pricing and related communications. In 2017, the Group received a subpoena from a US state attorney general and a subpoena from the US Department of Justice. Hikma denies having engaged in any conduct that would give rise to liability with respect to

these demands but is cooperating with all such demands. At this point, management does not believe sufficient evidence exists to make any provision for this

— Starting in 2016, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of generic drug products, as well as several individual direct purchasers opt-out plaintiffs (including two products). These complaints, which allege that the defendants engaged in conspiracies to fix, increase, maintain and/or stabilise the prices of the generic drug products named, have been brought against Hikma and various other defendants. The plaintiffs generally seek damages and injunctive relief under federal antitrust law and damages under various state laws. Hikma denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defense of these cases. At this point, management does not believe sufficient evidence exists to make any provision for this

— Starting in June 2020, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of Xyrem® against Hikma and other defendants. These complaints allege that Jazz Pharmaceuticals PLC and its subsidiaries entered into unlawful reverse payment agreements with each of the defendants, including Hikma, in settling patent infringement litigation over Xyrem®. The plaintiffs in these lawsuits seek treble damages and a permanent injunction. Hikma denies having engaged in conduct that would give rise to liability with respect to these lawsuits and is vigorously pursuing defence of these cases. At this point, management does not believe sufficient evidence exists to make any provision for this

— Numerous complaints have been filed with respect to Hikma's sales, and distribution, or manufacture of opioid products. Those complaints now total approximately 682 in number. These lawsuits have been filed against distributors, branded pharmaceuticals manufacturers, pharmacies, hospitals, generic pharmaceuticals manufacturers, individuals, and other defendants by a number of cities, counties, states, other governmental agencies and private plaintiffs in both state, and federal, and Canadian provincial courts. Most of the federal cases have been consolidated into a multidistrict litigation in the Northern District of Ohio. These cases assert in general that the defendants allegedly engaged in improper marketing and distribution of opioids and that defendants failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent the abuse and diversion of such products. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. Hikma denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defense of these cases. At this point, management does not believe sufficient evidence exists to make any provision for this

— In November 2020, Amarin Pharmaceuticals filed a patent infringement lawsuit against Hikma in the United States District Court for the District of Delaware (No. 20-cv-1630) alleging that Hikma’s sales and distribution of its generic icosapent ethyl product infringes three Amarin patents that describe certain methods of using icosapent ethyl. Amarin sought an injunction barring Hikma from selling its generic product as well as unspecified damages. Hikma’s product is not approved for the patented methods but rather is approved only for a different indication not covered by any valid patents. In January 2022 the court dismissed the lawsuit against Hikma, and as of this writing Amarin has not sought to appeal the court’s dismissal. Hikma denies the allegations and will vigorously defend against them if necessary. Management does not believe sufficient evidence exists to make any provision for these issues

Tax

In April 2019, the European Commission released its decision that certain tax exemptions offered by the UK authorities could constitute State Aid and where this is the case, the relevant tax will need to be paid to the UK tax authorities. The UK Government has subsequently appealed against this decision. In common with other UK headquartered international companies whose arrangements were in line with current UK CFC legislation, Hikma could have been affected by the outcome of this decision and had estimated the maximum potential liability to be approximately $2.4 million.

In 2021, formal letters of confirmations were received from HMRC that confirmed that Hikma is not a beneficiary of State Aid in accordance with the European Commission's decision and the UK's Controlled Foreign Company legislation. Following HMRC's confirmation, Hikma no longer requires a contingent liability in this regard.

16. Subsequent Events

Teligent Inc. acquisition

On 17 January 2022, Hikma announced that it has agreed to acquire the Canadian assets of Teligent Inc. (Teligent). The acquisition marks Hikma's expansion into Canada and includes a portfolio of 25 sterile injectable products, three in-licenced ophthalmic products and a pipeline of seven additional products, four of which are approved by Health Canada.

The transaction was completed on 2 February 2022 and Hikma paid a cash consideration of $46 million. Due to the proximity of the completion of the transaction to the date of issuance of the consolidated financial statements, the initial valuation for the business combination and net assets acquired is in progress. It is expected that most of the consideration paid is attributable to product related intangible assets and around $2 million is attributable to working capital.

Share buyback

On 24 February 2022, Hikma announced a share buyback programme of up to $300 million to be executed during 2022. The buyback has been sized to maintain balance sheet efficiency whilst leaving significant headroom for continued investment opportunities. The Buyback reflects the Group's strong cash generation, balance sheet strength and the Board's confidence in the future growth prospects of the business. It is worth noting that since 31 December 2021, the Company has received intercompany dividends which increased the retained earnings balance available for distribution after year-end.