Better health. Within reach. Every day.

Annual Report 2021

Hikma puts better health within reach every day.

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

See how our strategy helps us shape a healthier world on page 6

Cover image
Samantha Roe is a recent graduate of Ohio University with a BS in Chemistry and a minor in Biological Sciences. Samantha joined Hikma in May 2019 and is a scientist in the Analytical Research & Development department, where she helps to develop new generic drug products. Samantha is a member of the R&D 5S Team, which is focused on optimising workplace efficiency and productivity, and has recently become the Columbus site leader for the Corporate Social Responsibility programme.

Our performance

Financial highlights

		Change vs 2020
Revenue	$2,553m	+9%
Operating profit	$582m	+1%
Core[1] operating profit	$632m	+12%
EBITDA[2]	$727m	+9%
Profit to shareholders	$421m	(2)%
Basic earnings per share	182.3c	0%
Core basic earnings per share[3]	194.8c	+13%
Dividend per share	54.0c	+8%

See how we performed in our Business and financial review on page 24.

Non-financial highlights

Instructor-led learning hours for our people

47,000

Established a target to reduce our Scope 1 and 2 GHG emissions by 25% by 2030[4]

25%

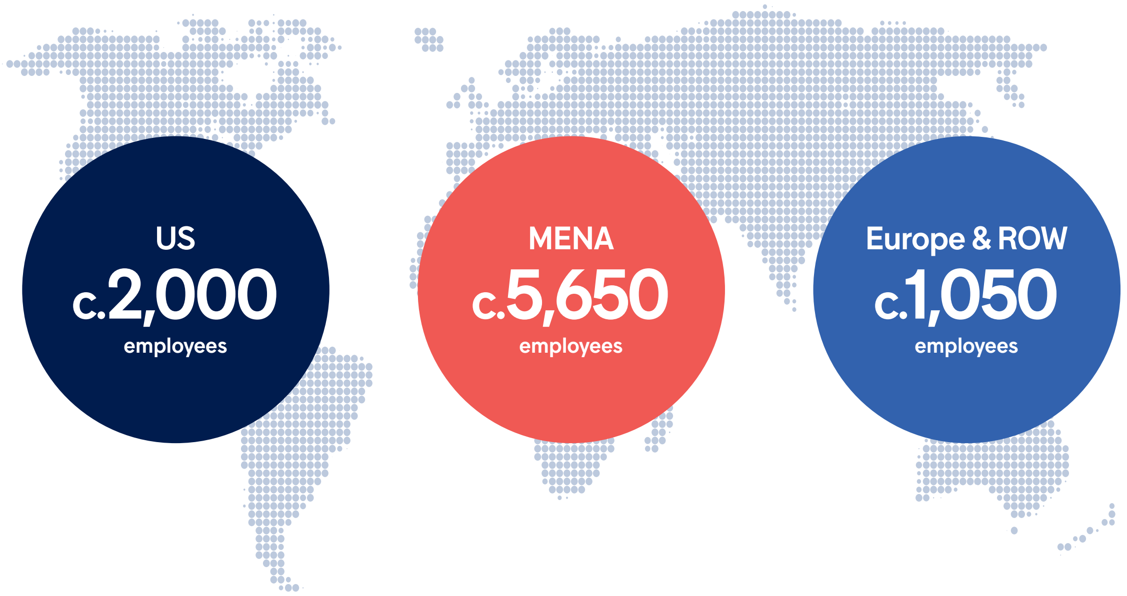
We act responsibly, advancing health and wellbeing, empowering our people, protecting the environment and building trust through quality in everything we do. Read more on page 36.

1. Core results are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 6 of the Group consolidated financial statements. A reconciliation from core to reported operating profit is included within the Consolidated income statement in the Financial statements
2. EBITDA is earnings before interest, tax, depreciation, amortisation, assets write-down and impairment charges. EBITDA is a non-IFRS measure, see page 34 for a reconciliation to reported IFRS results
3. Core basic earnings per share is reconciled to basic earnings per share in Note 15 of the Group consolidated financial statements
4. Committed to reducing Scope 1 and Scope 2 greenhouse gas emissions by 25% by 2030, using a 2020 baseline year

What we do

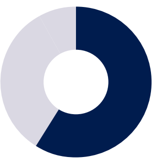
We bring patients across the US, MENA and Europe a broad range of generic, specialty and branded pharmaceutical products.

Our markets



US

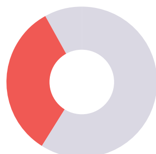
Our large manufacturing facilities in the United States (US) supply generic and specialty products across a broad range of therapeutic areas, including respiratory, oncology and pain management. We also have three R&D facilities to support sustainable growth.



59%
Group core revenue
(2020: 60%)

MENA

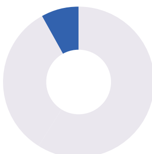
We sell branded generics and in-licensed patented products across the Middle East and North Africa (MENA). We have manufacturing facilities in seven countries, including US FDA-inspected plants in Jordan and Saudi Arabia. Around 2,000 sales representatives and support staff market our brands to healthcare professionals across 18 markets.



33%
Group core revenue
(2020: 33%)

Europe and rest of the world (ROW)

Our injectable manufacturing facilities in Portugal, Germany and Italy have a range of capabilities including dedicated capacity for oncology and cephalosporins. These facilities supply injectable products to the US and MENA and a growing number of markets in Europe.



8%
Group core revenue
(2020: 7%)

c.8,700	32	7	670+
Employees	Manufacturing plants	R&D centres	Products

Our business segments

Injectables

We supply hospitals across our markets with generic injectables, supported by our manufacturing facilities in the US, Europe and MENA. In the US, we have broadened our product offering to include compounded sterile injectables.

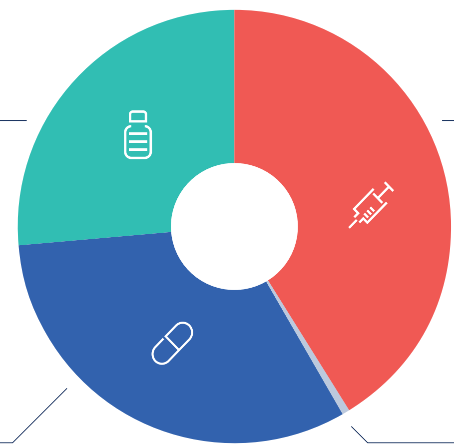
Generics

We supply oral and other non-injectable generic and specialty branded products in the US retail market, leveraging our state-of-art manufacturing facility in Columbus, Ohio.

Branded

We supply branded generics and in-licensed patented products from our local manufacturing facilities to retail and hospital customers across the MENA region.

Segmental revenue



Branded
$669m
(2020: $613m)

Generics
$820m
(2020: $744m)

Injectables
$1,053m
(2020: $977m)

Other
$11m
(2020: $7m)

Executive Chairman's statement

We operate with one driving purpose: to put better health within reach every day.

Said Darwazah
Executive Chairman

Executing on our purpose

The pandemic has presented challenges for us, for our customers and, most critically, for patients. Remaining focused on our purpose – to put better heath within reach, every day – we have navigated these challenges successfully.

Since the outset of the pandemic, we have been committed to making sure patients have the medicines they need, when they need them. We have listened to our customers – healthcare professionals, hospitals, pharmacists, wholesalers – and have responded quickly and effectively to their rapidly changing demands, leveraging the breadth of our portfolio and the quality and flexibility of our US, Europe and MENA-based manufacturing facilities.

At the same time, we have continued to strengthen our operations so that we can better serve our customers. We have placed an enhanced focus on our procurement practices, carefully managed inventory levels and engaged regularly with our suppliers.

Throughout the pandemic, our people have shown an unwavering commitment to serving patient needs, despite the many challenges that were presented. We care for our employees and have worked hard to make sure that they are benefitting from a strong culture and inclusive work environment and that they have attractive development opportunities.

Generating returns for our shareholders

Hikma has once again delivered a strong financial performance in 2021, growing revenue, expanding core operating margin and generating strong cash flow. Group core basic earnings per share in 2021 grew by 13%. Return on invested capital[1] was 17.1%, demonstrating our efficiency at allocating capital and generating value.

This growth is consistent with our long track record of creating value for our shareholders. Over the last ten years to 31 December 2021, we have delivered a total shareholder return of 313%, compared with 94% for the FTSE 100 and 177% for FTSE 350 healthcare companies.

We remain committed to our consistent dividend payments and are pleased to confirm a final dividend of 36 cents per share for 2021. Combined with the interim dividend of 18 cents per share, this represents a 8% increase in the total dividend for 2021.

Reinforcing our commitment to quality

At Hikma, we continue to stress the importance of quality and reliability. Quality underpins our business in different ways, be it the medicines we deliver to our customers, the facilities and processes we have in place to create and sell those medicines, as well as the quality of our people.

We have built our reputation on manufacturing high-quality medicines, and it is important we ensure that quality remains at the core of what we do. We maintain this quality focus through a variety of means, including internal quality culture campaigns, ongoing quality audits of our manufacturing sites and key suppliers run by our Quality team, continuous monitoring and improvement of quality metrics and the provision of reports to the Executive Committee by the Hikma Quality Council.

In 2021 we introduced a new Code of Conduct, with quality at its centre. Our Code calls on us to adhere to the highest ethical standards and to maintain the trust of our colleagues, customers and ultimately the patients we serve.

I am immensely proud of how our people have continued to deliver on our purpose in the face of ongoing disruption from the pandemic

17.1%
Return on invested capital[1]

Our responsibility

We are focused on putting better health within reach for patients, but our approach to operating responsibly goes beyond this. We work hard to ensure we are also helping our communities in other ways: through medicine and food donations, our work in supporting education or helping in crisis situations. We also closely track our impact on the environment, and for the first time this year have introduced a target to reduce our carbon emissions. The 'Acting responsibly' section of this report, on pages 37 to 49 provides more information on all of our work on these areas, with some case studies demonstrating what we are doing.

Board evolution

Looking to 2022 and Board composition, Pamela Kirby will not stand for re-election to the Board at our Annual General Meeting in April. Pam joined the Board in 2014 and assumed the role of Remuneration Committee Chair in 2016. On behalf of the Board, I extend our heartfelt appreciation to Pam for her steady and thoughtful counsel during her tenure.

Nina Henderson will take over as Remuneration Committee Chair. Nina joined the Board in 2016 and will bring extensive executive management and board experience to this important role.

Driving future growth

Hikma has three strong businesses, an extensive product portfolio and a broad footprint of high-quality, flexible manufacturing facilities, all of which contribute to the good market positions we hold. We are now looking to build on this, with a focus on increasingly complex and specialised medicines, and capitalising on the growth opportunities that best benefit our customers and all our stakeholders. Importantly, in 2021, we made great strategic progress on this, with acquisitions and business development opportunities adding to the growth potential. We have a strategy in place which is delivering results, as demonstrated by our strong financial performance in 2021, and I look forward to keeping you updated as we continue to grow.

1. Return on invested capital is calculated as core operating profit after interest and tax divided by invested capital (calculated as total equity plus net debt)

We have delivered another strong financial performance through the successful execution of our strategy, and we are investing for the future.

Siggi Olafsson
Chief Executive Officer

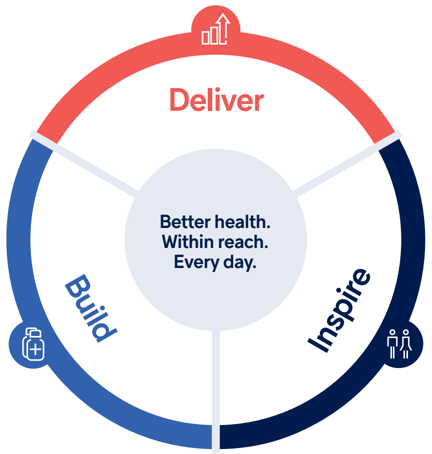
The past year has been one of continued progress for Hikma. We have launched important products across our markets, developed our portfolio and pipeline and achieved consistency and reliability of supply in a market that has continued to be impacted by the pandemic.

While delivering for patients today, we have also invested for the future, ensuring we are well placed to continue to thrive and deliver on our purpose over the long term. Crucially, we are doing this while acting responsibly, making a positive impact on the communities in which we operate as well as minimising our impact on the environment.

Strategic progress

In early 2018, I set out strategic priorities for the Group – to deliver more from our foundation, to build a portfolio that anticipates future health needs and to inspire and enable our people.

Since then, we have made excellent progress against all three priorities. Each of our businesses as well as our Group functions are on a stronger footing today and we are well placed as we look towards our next chapter of growth.



Deliver more from a strong foundation

Our KPIs:
- Core revenue
- Core operating profit
- Return on invested capital

Build a portfolio that anticipates future health needs

Our KPIs:
- Core revenue from new products launched

Inspire and enable our people

Our KPIs:
- Employee enablement
- Employee engagement

To find out more see 'Our progress' on page 22.

Our strategy continues to deliver good financial results and we were pleased to grow revenue 9% and core operating profit 12% in 2021

Strong financial performance

We grew Group revenue 9% in 2021, to $2,553 million and Group core operating profit was $632 million, an increase of 12% on 2020. This impressive performance was also reflected in our cash flow, with cash flow from operating activities up 38% to $638 million.

We were able to invest in acquisitions and business development opportunities while also maintaining a strong balance sheet, exiting the year with gearing of 0.6x net debt to core EBITDA.

Our Injectables business achieved good growth in 2021 across all our regions. Thanks to the breadth of our portfolio, extensive and flexible manufacturing facilities and our resilient supply chain, this remains a strong, differentiated business. In the US, we continue to play a leading role in supplying hospitals with the medicines they need and are the second largest supplier of generic injectables by volume, with our 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 focused on having a portfolio fit for the future, with ongoing new launches, and are also building our portfolio and pipeline through acquisition and partnership, including licensing two new biosimilars for the US.

We already have experience commercialising biosimilars in MENA, where these products contributed to our growth in 2021. We are seeing 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 has seen significant revenue growth and margin expansion in recent years. Since I joined in February 2018, we have grown Generics revenue at a CAGR of 6% and, through our continuous focus on optimising our cost base and driving operating efficiencies, our margins are now some of the highest in the industry. While the US generic market remains highly competitive, as evidenced by accelerating price erosion, we are demonstrating our ability to more than offset competitive pressures through our strong commercial and manufacturing capabilities and the successful execution of our pipeline.

In 2021, we added seven new products to our Generics portfolio, including generic Advair Diskus® and our novel naloxone nasal spray, Kloxxado™, an important new treatment for reversing the effects of opioid overdose. These two products are great examples of the more complex generic and specialty branded medicines that we are prioritising and producing from our state-of-the-art manufacturing facility in Columbus, Ohio.

In our Branded business, we have continued to strengthen our market position across the region. Our strategy of tiering these markets – focusing investment in markets with the highest potential – is paying off, with two of our Tier One markets – Algeria and Egypt – performing strongly in 2021, more than offsetting changes in the tender market in Saudi Arabia during the year. Our business in Algeria is benefitting from new product launches and a new oral oncology plant – the first of its kind in Algeria. We are also seeing good growth in our other markets such as Morocco, Jordan and UAE.

Partnerships are of particular importance to our Branded business and we continued to sign new licensing agreements in 2021, strengthening our pipeline of innovative products for our MENA markets. We have also built on our in-house R&D efforts and our pipeline of our own branded generics.

To find out more see 'Business and financial review' on pages 24 to 34.

Strategic priorities

Adding differentiated products through R&D and BD

As we look ahead, we are building a differentiated portfolio that anticipates future health needs. This ambition is being realised as we add complex and specialty products to our portfolio and pipeline and is fundamental to ensuring we continue to grow.

Our R&D efforts are focussed on developing products where there is 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, expanding our R&D network with the development of a new site for complex injectables in Warren, New Jersey, and we will be adding R&D capabilities through the acquisition of Custopharm[1], the generic injectables business.

Partnerships are integral to Hikma's strategy. In 2021, 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.

Partnerships are 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

Selected deals signed in 2021:

April
AFT Pharmaceuticals for Combogesic® IV in the US

Melinta Therapeutics for Vabomere® and Orbactiv® in MENA

August
Bio-Thera Solutions for ustekinumab (biosimilar to Stelara®) in the US

September
FAES Farma for Bilastine tablets in the US

November
Almirall for Finjuve™ in MENA

December
Gedeon Richter for denosumab (biosimilars to Prolia® and Xgeva®) in the US

Investing in new technologies and capabilities

In 2021, we continued to expand our manufacturing capacity and enhance existing facilities to stay at the forefront of manufacturing excellence. We invested in new filling lines, expanded warehousing and enhanced capabilities across our operational footprint. We also invested in a new facility in Dayton, New Jersey which will carry out sterile compounding activities for our Injectables business. With this new facility, 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.

Utilising our balance sheet

We are deploying our balance sheet to build our growth prospects. In 2021 we announced the acquisition of Custopharm, which will expand our portfolio of marketed products, bring promising new pipeline opportunities, and expand our R&D capabilities. Post year-end, we announced our expansion into 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.

Building our culture of progress and belonging

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. To this end, 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 when our people continued to adapt and stepped up to keep our business operational, our strong culture enabled us to be resilient, perform at our best and provided us with the opportunity to explore new ways of working together both internally and with our partners and customers.

You can find more information on how we train and retain the best talent in the 'Acting responsibly' section of this report on page 42.

1. Subject to FTC approval

Long-term, sustainable growth

By executing on R&D, establishing strong partnerships, expanding our specialty portfolio and building our compounding business, we will further diversify and transform our business in order to achieve the next phase of growth.

As we do this, we must also ensure we are operating responsibly in all aspects of what we do. We have identified four focus areas where we can drive positive impact: advancing health and wellbeing, empowering our people, protecting the environment and we building trust through quality in everything we do.

We have a responsibility for our customers and their patients, who rely on our important medicines every day. Our mission to advance health and wellbeing also applies to the broader wellbeing of the communities in which we operate and it extends to ensuring that our own people are empowered by an inclusive culture where everyone can thrive.

We are committed to protecting the environment, are assessing our environmental impact and understanding how we can minimise it. I am very pleased that the Board has approved a new target to reduce our greenhouse gas emissions by 25% by 2030, compared to a 2020 baseline.

0.6x
Net debt to EBITDA

We have a duty to act responsibly: for our people, patients, communities and the planet

How we are acting responsibly

- Advancing health and wellbeing
- Empowering our people
- Protecting the environment
- Building trust through quality in everything we do

To find out more see 'Acting responsibly' on pages 37 to 49.

Conclusion

2021 has been another year of growth for Hikma, as well as one of advancing our future ambition. With our expansion into compounding and securing a future entry into the US biosimilar market, we are continuing to ensure we remain a top Injectables business in the US, whilst also expanding our presence in Europe and MENA. For our Generics business, we are taking strides forward in differentiating our portfolio, with specialty, marketed products such as Kloxxado™, and complex generics such as generic Advair Diskus®. Our Branded business continues to deliver consistent growth, leveraging our well-established presence, reputation and expertise in the MENA region.

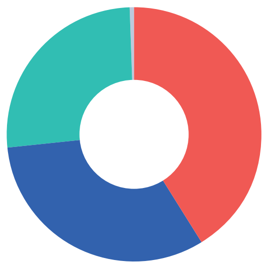
I am excited about how far we have come in the past few years, and by the opportunities we have for the future, as we continue to put better health within reach in 2022 and beyond.

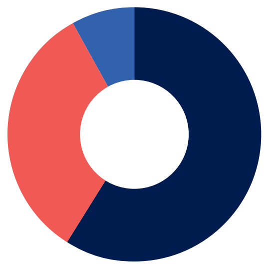
A strong business model with significant opportunities to further enhance our portfolio to drive growth and deliver value for shareholders.

Hikma is focused on delivering growth over the long term

Solid platform for growth

- Broad portfolio of over 670 high-quality products across three businesses
- Agile supply chain, flexible manufacturing and leading technical capabilities
- Leading supplier of both generic injectable and non-injectable products in the US, the largest pharmaceutical market globally
- Leading market position in MENA (4th largest pharmaceutical company by sales) and a growing presence in Europe
- Trusted partner known for our commitment to quality and reliability of supply





Increasingly diverse portfolio and pipeline

- Growing presence in underserved, niche areas with an increased focus on specialty and complex products, which offer less competition and potential for further margin growth
- Developing portfolio of biosimilars for the US market
- Focus on higher-value therapeutic areas such as respiratory, CNS and oncology
- Continued investment in R&D, new partnerships, strategic acquisitions and geographic expansion into certain markets

7
R&D centres

6%
R&D spend as % of revenue

280+
products in our pipeline

19+
products added in 2021 through business development

Excellent financial discipline with a strong balance sheet and robust cash generation

- Good cash flow generation, with $638 million operating cash flow in 2021 and low leverage of 0.6x net debt/core EBITDA[2]
- Disciplined approach to cash management and acquisitions
- Strong balance sheet that provides financial flexibility to support future growth

$638m
operating cash flow

25%
operating cash flow/revenue

Proven track record of delivering value for shareholders and a clear vision for growth

- Group revenue CAGR[1] of 7% and core EBITDA[2] CAGR of 10% since 2018
- TSR[3] of 313% over the last ten years
- Progressively increasing dividend

7%
Group revenue growth at a three-year CAGR

313%
TSR over the last ten years

1 Compound annual growth rate (CAGR) is a measure of mean annual return
2 Core EBITDA is earnings before interest, tax, depreciation, amortisation, assets write-down and impairment charges/reversals. EBITDA is a non-IFRS measure, see page 34 for a reconciliation to reported IFRS results
3 Total shareholder return (TSR) is the performance of Hikma shares including dividends paid

Stakeholder engagement

For more than 40 years, we have transformed people's lives by making high-quality medicines more accessible to the patients that need them.

Strong engagement with all our stakeholders is key to driving the long-term sustainable growth of our business. It allows us to better understand their needs and informs our day-to-day commercial and operational decisions, as well as our long-term investments in our business and our people.

Developing strong relationships with our stakeholders has never been more important, particularly during the uncertainty caused by the COVID-19 pandemic. Our teams have worked hard to stay connected to all of our stakeholders, including the patients who use our medicines, healthcare professionals, our customers, our employees and the wider community.

Patients and healthcare professionals

Employees

refer to **Acting responsibly** page 37

Customers

Communities

refer to **Acting responsibly** page 37

Government and regulators

Suppliers

Investors

refer to **Investment case** page 10

At Hikma, we are committed to acting in the best interest of all our stakeholders

Stakeholders and the Board

The Board of Hikma considers its duties to shareholders and the wider community at each Board and Committee meeting and is particularly aware of its duty to promote the success of the Group for the benefit of all its stakeholders. Over the next few pages we set out how we engage with our key stakeholders and build consideration of stakeholder issues into our decision making, in accordance with Section 172 of the Companies Act 2006. The Board is responsible for the entire Annual Report and, therefore, directs readers to the following pages in relation to the stakeholder and non-stakeholder elements of its duty to promote the success of the Group:

- likely consequences of any decision in the long term: the strategic overview on pages 4 to 9
- the impact of the Group's operations on the environment: the Acting responsibly section on pages 44 to 47
- the aim of the Group to maintain a reputation for high standards of business conduct: the sections of the strategic report related to product quality and safety on page 61 and the Compliance, Responsibility and Ethics Committee report on pages 87 to 88
- the need to act fairly as between members of the Group: the corporate governance report on pages 66 to 114

6%

of revenue spent on core R&D to improve access to high-quality, affordable medicines

Patients and healthcare professionals

Our purpose is to put better health within reach, every day for healthcare professionals (HCPs) and their patients. We engage with doctors, clinicians and pharmacists to better understand their needs, helping them treat the patients they serve.

Why is it important to engage with this group and what do they expect from us?

Patients and HCPs need us to:

- consistently provide a broad portfolio of products
- improve access to high-quality, affordable medicines

It is essential that we align our commercial activities, operations and R&D efforts to the changing needs of patients and HCPs.

How we engage across the Group

- Our commercial teams meet regularly with doctors and hospital clinicians to better understand their needs and keep them informed about our products
- In MENA, we run regular forums bringing together key opinion leaders, doctors and global research institutes to share knowledge and raise awareness of healthcare trends and disease management
- We meet with patient advocacy groups for diseases such as multiple sclerosis, cardiovascular disease and diabetes

How we engage at Board level

- The Board receives regular reports from the Chief Executive Officer which include feedback from patients and healthcare professionals
- The Compliance, Responsibility and Ethics Committee is responsible for direct oversight of the Group's approach to ethical issues associated with HCPs
- Our management teams present to the Board at least once per year, providing updates on the needs of patients and healthcare providers across our markets

Outcomes and actions

- Launched Reagila® in MENA through our partnership with Gedeon Richter, the first product in the region that is proven to address both positive and negative symptoms of schizophrenia
- Launched Kloxxado™ (naloxone hydrochloride) nasal spray 8mg in the US, an important treatment for reversing opioid overdose
- In MENA, we regularly update HCPs with the most recent studies and product information. In 2021, we returned to in-person meetings
- Established a compounding business in the US to fill a market need and provide ready-to-administer drug products which help improve the speed and safety of patient care

Employees

Our employees have always been at the heart of everything we do. As the driving force behind Hikma's growth and success, our people are our most valuable asset.

Why is it important to engage with this group and what do they expect from us?

Our employees expect us to:

- support them and provide development and growth opportunities
- protect their health and safety
- foster a diverse and inclusive culture

The passion and commitment of our people to our purpose and values is key to delivering our brand promise and supports our growth plans. One of our key strategic priorities is to build a culture that inspires and enables our people, one in which they are empowered to drive innovation and are committed to caring for customers, patients and communities around the world.

How we engage across the Group

- We offer learning and development opportunities for our people. Hikma Academy serves as a training hub through which we can coordinate and optimise learning and development activities
- Our Group-wide principles for ensuring employee health and safety are outlined in our Group Environmental, Health and Safety Policy Statement. We also have local policies and procedures in place
- We conduct regular employee surveys and use this feedback to improve our performance and culture
- We have an active internal communications programme to keep employees engaged and informed on Group strategy, progress and development
- We established the Diversity, Equity and Inclusion Committee to continue to create a culture where everyone feels they belong

How we engage at Board level

- Nina Henderson has Board level responsibility for employee engagement. She reports on employee issues as required during Board or Committee business. A report on her activities is included on page 67
- The Board receives regular reports on communications activities with employees, the bi-annual employee engagement survey and events or feedback that are reported by the Chief Executive Officer

Outcomes and actions

- Hosted a virtual global leadership conference for the top 160 Hikma leaders
- Established a Diversity, Equity and Inclusion Committee, which is comprised of members from the Executive Committee
- Established guidelines to create Employee Resource Groups (ERGs)
- Launched a new leadership programme designed to improve leadership effectiveness and capabilities for our people managers, thereby strengthening employee enablement and increasing engagement. With 150 people managers through this programme in 2021, it will be rolled out annually to cover all target employees

172

Products launched across our markets

Customers

Our customers are our business partners and we are committed to providing them with a consistent and reliable supply of high-quality medicines. We work closely with Group Purchasing Organisations (GPOs), hospitals, healthcare professionals, retailers, wholesalers and others to build strong relationships and enhance service levels.

Why is it important to engage with this group and what do they expect from us?

Customers need us to:

- offer a broad product portfolio
- have a consistent and reliable supply of medicines
- maintain service levels

Our commercial teams work closely with our different customers to understand their needs, reduce drug shortages and ensure we invest in the products, manufacturing capacity and capabilities needed to meet their requirements.

How we engage across the Group

- We have commercial, sales and marketing teams dedicated to our varied customer groups in the US, MENA, and Europe
- Our customer discussions inform our pipeline decisions, in an effort to bring them the products most in need

How we engage at Board level

- Commercial leads present to the Board at least once a year providing updates on our customer relationships and how we are meeting customer needs
- As part of its strategic review process, the Board reviews information on the generic pharmaceutical customer landscape
- The Board periodically receives industry updates from leading external professional groups

Outcomes and actions

- Launched 172 products across our markets
- Continued to work closely with our customers to understand their needs

Delivering for our customers

When our customers need us, we're right there within reach – ready to react quickly and collaboratively to meet their needs. By being highly responsive, anticipating needs and infusing every interaction with professionalism and respect, we are creating strong and lasting partnerships that benefit everyone – especially the hospitals, doctors and patients who rely on our medicines.

Our customers can truly lean on us for high-quality medicines and excellent service. This has been especially true during the challenges of the global pandemic where we continued to provide uninterrupted access to urgently needed medicines for treating COVID-19 and many other medical conditions.

We recently launched a new marketing campaign across US trade and social media channels to distinguish Hikma by illustrating how customers can "Lean on Us" at all times for our unwavering commitment to them and the patients they serve. Ultimately, our commitment and passion for the greater good will always be what drives us forward.

$3.2

million of medicines donated in 2021

Communities and environment

Our vision is to create a healthier world that enriches all our communities by developing high-quality medicines and making them accessible to those who need them. We are a responsible and sustainable company and have a duty of care towards our communities and the environment.

Why is it important to engage with this group and what do they expect from us?

Our communities value our efforts to:

- improve healthcare quality and access to medicines
- strengthen educational infrastructures
- support local communities and people in need
- minimise our environmental impact

Since its inception, Hikma has been dedicated to transforming people's lives by providing the medicines they need and supporting the communities where we live and work. Making positive contributions to the communities where we operate, and providing assistance to those in need, supports our long-term, sustainable growth, while positively impacting society.

We also strive to minimise our environmental impacts and are committed to making our operations more energy efficient.

How we engage across the Group

- We have developed collaborative partnerships and programmes to promote positive change and address the needs of our communities. These initiatives include increasing access to medicine, supporting education and assisting refugees and low-income groups
- We have an internal cross-functional working group who meet on a regular basis to progress our understanding on climate-related risks and opportunities and are working to achieve our greenhouse gas emissions reduction target

How we engage at Board level

- The Board of Directors have overarching oversight of our ESG strategy
- Our Executive Vice President of Business Operations, who reports directly into our CEO, leads our ESG reporting as well as our internal cross-functional working group integrating TCFD into our business. More information on our sustainability efforts can be found on page 36 to 52 and on our corporate governance and our management of ESG issues on page 67

Outcomes and actions

- As part of Hikma's Black Employee Advisory Board's community outreach for underserved and underrepresented communities, the team launched a programme to develop STEM (Science, Technology, Engineering and Math) talent in primary schools in the US
- Donated 50,000 doses of injectable naloxone to help expand non-profit access to a life-saving treatment for reversing opioid overdoses
- Established a target to reduce our Scope 1 and 2 greenhouse gas emissions by 25% by 2030, using a 2020 baseline year

Employees caring for our communities

Our employees care deeply about helping people, through our medicines and through community engagement to help those in need. Across our locations Hikma employees volunteer to help their neighbours in many ways – by raising money, donating food and medicines, and supporting education initiatives.

Through our Black Employees Advisory Board in the US, we launched a pilot programme in 2021 to introduce STEM education to young students in underserved communities. STEM stands for science, technology, engineering and math education, disciplines and skills vital to workforce development and higher earning career opportunities. In the US, women and minorities are often underrepresented in STEM-related jobs.

Students who participated in Hikma's 12-week STEM programme learned how to design, build and fly their own electric drones. Teachers helped the students develop new technical and problem-solving skills. The programme also helped students to build confidence and explore new opportunities for personal growth. Students and their parents had high praise for the programme.

Plans are underway to expand Hikma's STEM programme to underserved neighbourhoods in several Ohio and New Jersey communities with Hikma facilities.

Government and regulators

Our industry is highly-regulated and we must operate in accordance with a wide range of industry and government policies and regulations including those of the US Food and Drug Administration (FDA), the European Medicines Agency (EMA), MENA health authorities and other regulatory agencies across our markets.

32
Manufacturing plants

Why is it important to engage with this group and what do they expect from us?

Our regulators expect us to:

- adhere to regulatory requirements
- maintain high-quality manufacturing facilities
- provide safe and effective medicines

Quality is in everything we do and has been since our inception. We need to ensure that our quality systems operate in full compliance with the requirements of international agencies as well as domestic regulatory bodies.

How we engage across the Group

- We have strong internal regulatory and quality teams who ensure our quality systems operate in full compliance with the regulatory requirements of the FDA, the EMA, MENA health authorities and other regulatory agencies across our markets
- We work closely with local governments and regulatory bodies to ensure current and proposed regulations and policies support patients' needs and our operations

How we engage at Board level

- The Board receives regular reports on relations with regulators, particularly from a manufacturing quality and product approval perspective, and receives an update on legal matters at each meeting
- The Board oversees the Group's risk programme and receives reports on relevant issues, which include specific principal risks covering product quality and safety and legal, regulatory and intellectual property

Outcomes and actions

- Engaged regularly with the different regulatory bodies and have a strong quality track record
- Supported the FDA in their training efforts by hosting a virtual training session at our Columbus site for over 50 participants
- Engaged with the FDA Drug Shortage Office to partner on long-term solutions for addressing US drug shortages
- Engaged on policy and legislative consultation as a member of the Association of Accessible Medicines

Suppliers

We have an extensive global network of suppliers who provide us with the products needed for us to deliver our medicines. We actively engage with our suppliers to ensure the social and ethical standards we require are upheld.

Why is it important to engage with this group and what do they expect from us?

Our suppliers want us to:

- uphold high ethical standards
- operate in a responsible and sustainable manner
- work collaboratively to build strong relationships

Our suppliers are critical to our business, and their products and expertise support us in the delivery of high-quality medicines to patients around the world. Working together and building strong relationships not only enables us to deliver on our brand promise but it also ensures we have a sustainable and resilient supply chain.

Operating responsibly and ethically is vital to our long-term success, and we work with our suppliers to ensure the social and ethical standards we require are upheld.

How we engage across the Group

- We conduct quality audits prior to on-boarding any new API supplier and on a regular basis for our current supplier base
- We ask our suppliers to commit to upholding the principles of our Code of Conduct, including fundamental standards on human rights and modern slavery
- We conduct initial and periodic due diligence to assess third-party risks
- We are measuring and reporting on the greenhouse gas (GHG) emissions originating from our supplier base
- We have started to measure the sustainability profile of our supplier base

How we engage at Board level

- The Board receives updates on supplier issues as part of its review of operational matters, such as consideration of API supply restrictions resulting from pandemic-related disruption
- The Board oversees the Group's risk programme and receives reports on relevant issues, which include a specific principal risk for API and third-party risk management
- The Compliance, Responsibility and Ethics Committee is responsible for direct oversight of the Group's approach to ethical issues associated with suppliers

Outcomes and actions

- Our long-term relationships with our suppliers have allowed us to ensure continuity of supply to our customers during the COVID-19 pandemic
- 96% of our supplier base has been assessed as part of our third-party risk management
- Started measuring GHG emissions originating from our supplier base, which is reported on page 46
- Initiated a collaboration with EcoVadis, a leader in sustainability ratings, to assess our main suppliers

Investors

We maintain regular contact with investors to ensure they have a strong understanding of our business. Our investors are largely global institutions and include both equity and debt holders.

14
Investor conferences attended

Why is it important to engage with this group and what do they expect from us?

Our investors want us to:

- deliver sustainable long-term value
- effectively communicate our long-term strategy, financial and operational performance and growth drivers
- meet industry and global standards for good environmental, social and governance (ESG) practices

We ensure our investors have an in-depth understanding of our operations, financial performance, growth drivers and ESG efforts. The Board receives regular updates and feedback on these activities. This helps ensure that the views of our investors are considered in the Board's decision-making.

How we engage across the Group

- We maintain regular contact with our shareholders through a comprehensive investor relations (IR) programme of conferences, roadshows and meetings
- We maintain regular dialogue with our debt holders and rating agencies
- We communicate our strategy and financial performance through regular financial reporting and investor events, such as the Annual General Meeting (AGM)
- A targeted external communications programme ensures we are informing key audiences on our strategic progress and impact on our communities

How we engage at Board level

- The Board receives regular updates on the IR programme, including investor feedback from the AGM, IR meetings and investor perception studies
- The Executive Directors are informed of investor engagement activities on a regular basis
- The Non-Executive Directors make themselves available to meet with investors as required in the conduct of their responsibilities (eg as Chair of a committee) and are available to shareholders at the AGM to answer related questions

Outcomes and actions

- We maintained regular contact with our analysts and investors to give business updates. We attended 14 conferences and met with 136 investors in 2021
- We hosted a series of meet the management virtual events to increase access to our senior leadership team for the investment community

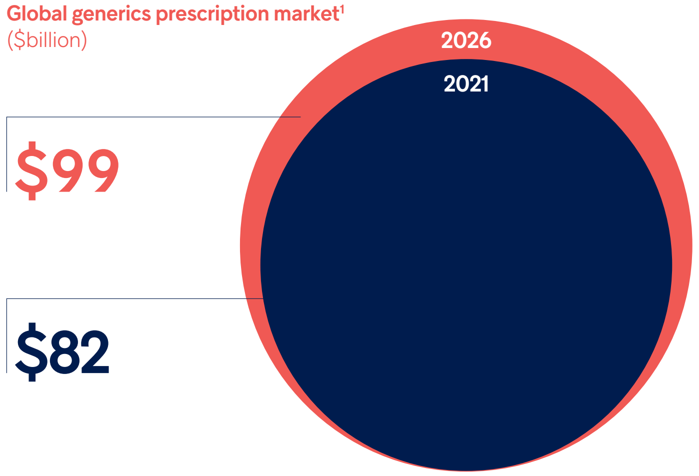
In 2021, we hosted a series of meet the management events to showcase our three business segments

Evolving demographic and market trends

Global context

The global pharmaceutical market continued to grow in 2021. The social, demographic and economic dynamics within the pharmaceutical industry are changing rapidly. The pandemic has prompted an acceleration in many of the key trends shaping the industry, creating opportunities for generic pharmaceutical companies. The need for more affordable healthcare solutions is driving an increase in generic penetration – the global generic prescription market is forecast to grow at a CAGR of around 3.8% over the next five years[1].

Global generics prescription market[1]
($billion)



1. Evaluate Pharma, World Preview 2021, Outlook to 2026, July 2021
2. United Nations, Global Issues, Ageing available at https://www.un.org/en/global-issues/ageing
3. WHO, Noncommunicable diseases available at https://www.who.int/news-room/fact-sheets/detail/noncommunicable-diseases
4. AAM, The U.S. Generic & Biosimilar Medicines Savings Report, October 2021
5. IQVIA, US Pharmaceutical Trends, Issues and Outlook for NACDS TSE, August 2021
6. IQVIA, Assessing the Global Burden of Post-COVID-19 Conditions, December 2021
7. McKinsey & Company, An inflection point for biosimilars, June 2021

Key trends

CHANGING DEMOGRAPHICS

A growing population and a rise in life expectancy worldwide is leading to increased demand for healthcare. According to the United Nations, 16% of the world population is expected to be aged over 65 by 2050[2]. This rapid shift in demographics, as well as changing lifestyles, is contributing to an increase in noncommunicable diseases (NCDs), mainly cardiovascular disease, cancer, respiratory disease and diabetes[3]. Almost 70% of deaths worldwide are caused by NCDs. This growing epidemic poses challenges for global economies and threatens to overwhelm health systems[3].

Strategic response

We are committed to improving patients' access to high-quality, affordable medicines. We are continuously investing in our manufacturing sites to enable us to meet current and future needs of patients worldwide. In MENA, we have a large sales, marketing and support team that dedicate their time to meet with doctors, clinicians and pharmacists to better understand their needs. In the US, we have strong relationships with our customers. Our discussions with them help inform our pipeline decisions in an effort to bring them the products most in need.

Key trends

PRICING AND ACCESS

The need for more affordable healthcare has never been more important as countries navigate the economic impact of the pandemic. Governments are looking to increase patient access to high-quality, affordable medicines and this need for more cost-effective healthcare is driving an increase in generic penetration. In the US, 90% of prescriptions filled are for generic medicines, while generics represent only 3% of healthcare spending. Over the last ten years, the US healthcare system has saved nearly $2.4 trillion by using generic medicines[4].

Strategic response

Generic medicines play an important role in helping alleviate pressures on global healthcare budgets. As a company whose purpose is to put better health within reach, every day, we are committed to increasing patients' access to more affordable healthcare. In 2021, we launched 172 products across our markets and our continuous investment in R&D and manufacturing capabilities enables us to meet patients' growing demand.

Find out more about our **access to medicine** on page 38.

Key trends

THE IMPACT OF COVID-19

The COVID-19 pandemic has impacted the lives of millions of people and communities around the world, creating significant uncertainties. Patients were cautious to enter hospitals, causing a significant diagnostic gap. There were c.1 billion missed diagnostic visits in 2020, which represents a 20% decline on total expected diagnostic visits in a normal year[5]. Missed visits have had a direct impact on prescription utilisation and elective procedures.

While the pharmaceutical industry has shown great agility during the COVID-19 pandemic, it also raised concerns around the resilience of supply chains. This has prompted calls for local API and intermediate production and some countries, such as the US, are also looking to increase local production of finished goods.

The pandemic continues to impact and shape the global healthcare sector today. A large number of COVID-19 patients have a range of persisting health conditions that are having a longer term effect on their central nervous, cardiovascular and respiratory systems[6].

Strategic response

The pandemic demonstrated the vital role of the healthcare industry, particularly the generics sector. At the start of the pandemic, we were operating at full capacity, prioritising the manufacture of products that were in highest demand, whilst continuing to maintain supply across our broader portfolio.

While there is still volatility in the market, we are focused on ensuring that our flexible, high-quality manufacturing capabilities and resilient supply chain can continue to underpin our ability to provide a consistent supply of medicines to our customers. As part of our strategy and to mitigate supply risk, we continue to qualify alternate sources of raw materials. By growing our portfolio, we will also ensure we have the products our patients need.

Key trends

GROWTH IN BIOSIMILAR UPTAKE

Biosimilars are gaining more momentum as adoption in the US improves. It is estimated that global biosimilar sales were over $15 billion in 2020, a 56% annual growth rate since 2015. The market is expected to continue its double-digit growth, reaching more than $30 billion by 2025[7].

Biosimilar uptake varies by country. Europe makes up half of the market by value and there are more than 60 products approved. In the US, the FDA has published new guidance on interchangeability, providing greater clarity for developing companies. This has helped recently launched biosimilars achieve a rapid uptake compared to previous years. As the regulatory environment continues to evolve in the US, and in China and Japan, we expect to see an increase in biosimilar adoption[7].

Strategic response

Tapping into the growth of the biosimilar market in the US has been an area of focus for Hikma. We are leveraging our established commercial capabilities in the US to build a highly complementary portfolio of biosimilar products through licensing. In 2021, we signed an agreement with Bio-Thera Solutions for ustekinumab, a proposed biosimilar to Stelara®, and with Gedeon Richter for denosumab, a proposed biosimilar referencing Prolia® and Xgeva®. In MENA, through our partnership with Celltrion, we have launched three biosimilar products in the MENA region: Remsima®, Truxima® and Herzuma®.

16%

of the world population is expected to be over the age of 65 by 2050[2]

56%

annual growth rate of the global biosimilar market since 2015[7]

Our diversified business model allows us to respond to the many opportunities and risks we face, while delivering for our stakeholders.

Better health within reach every day

Our business segments

See our **business and financial review** on page 24

Our resources

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

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

Values
Our values promote a culture that is innovative, collaborative and caring, ensuring the sustainability of our business.

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

Capabilities
We have extensive commercial, R&D, manufacturing and distribution capabilities across our markets focused on quality and efficiency.

What we do

Offer a broad product portfolio
We offer a broad and differentiated portfolio of more than 670 products. It includes high-quality generic and branded generic medicines and a growing number of in-licensed and specialty products.

670+
Products

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

c.2,000
sales representatives market our products across MENA

Develop and innovate
We are building a pipeline of products to meet the evolving needs of patients and healthcare professionals through investments in internal R&D, partnerships and strategic acquisitions.

6%
Group revenue invested in core R&D
(2020: 6%)

Manufacture and maintain quality
Our extensive and high-quality manufacturing capabilities are at the heart of what we do. We have 32 plants across the Group that supply our global markets with a broad range of injectable and non-injectable products, including 13 US FDA-inspected plants and 12 EMA-inspected plants.

32
manufacturing plants

13
US FDA-inspected plants

12
EMA-inspected plants

The value we create

Patient benefits
We provide patients across our markets with high-quality and affordable medicines.

670+
Products

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

73%
Employee engagement 2020 score

Shareholder returns
We have a long history of creating value for our shareholders.

313%
Total shareholder return over last ten years

Sustainable business
We act responsibly, advancing health and wellbeing, empowering our people, protecting the environment and building trust through quality in everything we do.

- Our employees completed 47,000 instructor-led learning hours
- Established a target to reduce our Scope 1 and 2 greenhouse gas emissions by 25% by 2030, using a 2020 baseline year

Find out more about our key performance indicators on page 22

Find out more about how we are managing risk on page 54

Our progress

We are delivering on our strategy and measuring our performance with key performance indicators (KPIs).

Find out more about **our strategy** on page 6

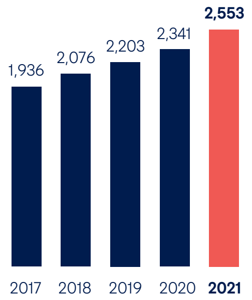
Find out more about how we are **managing risk** on page 54

Find out more about our **remuneration** on page 89

Strategic priority: Deliver more from a strong foundation

KPI: Core[1] revenue ($m)

$2,553m



Description: Total annual core revenue generated across all businesses

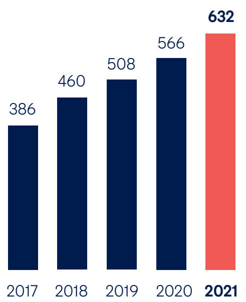
Why is it a KPI? This measures our ability to maximise value from our current product portfolio across our global markets and generate revenue from new launches

2021 performance: Group core revenue increased by 9% reflecting good performance from all three business segments, supported by strong recent product launches

Link to remuneration: R

KPI: Core[1] operating profit ($m)

$632m



Description: Core operating profit

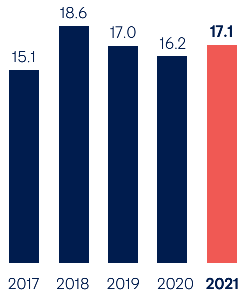
Why is it a KPI? This measures our ability to grow revenue and maintain quality while delivering efficiencies and ensuring cost control

2021 performance: The increase in core operating profit was driven by good revenue growth across all three business segments and strong growth in Generics profitability

Link to remuneration: R[2]

KPI: Return on invested capital[3] (%)

17.1%



Description: Core operating profit after tax divided by invested capital (calculated as total equity plus net debt[4])

Why is it a KPI? This measures our efficiency in allocating capital to businesses and projects

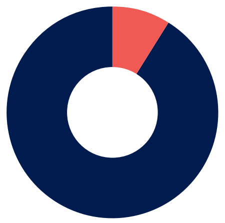
2021 performance: The increase in return on invested capital reflects the improvement in core operating profit, primarily driven by a strong step up in Generics profitability, lower total debt and strong cash flow

Link to remuneration: R

Strategic priority: Build a portfolio that anticipates future needs

KPI: Core revenue from new product launches (%)

9%



Description: Percentage of core revenue contribution from products launched in 2021 and the second half of 2020

Why is it a KPI? This measures our ability to extract value from our global product pipeline

2021 performance: In 2021, revenue from new product launches was 9% of Group core revenue, up from 7% in 2020. This reflects the strong contribution from new launches in Generics and good contribution from Injectable and Branded launches. This shows good progress towards achieving our goal of 10% of revenue from new launches by 2023

Strategic priority: Inspire and enable our people

KPI: Employee enablement (%)

64%

2020 score[1]

Description: Global employee enablement score

Why is it a KPI? This measures whether people find their work fulfilling and rewarding and whether they feel supported to achieve their full potential

KPI: Employee engagement (%)

73%

2020 score[1]

Description: Global employee engagement score

Why is it a KPI? This measures people's pride in working for Hikma, their willingness to recommend Hikma as an employer and their desire to stay long term

2021 performance:

1. Hikma runs a global employee engagement survey every two years. As such, we do not have the enablement and engagement percentages for reporting purposes this year. In 2021, we conducted an accountability index survey to measure the level of action planning conducted by managers post the last all-employee engagement survey. It showed an 18 point improvement in the accountability index score when compared to 2020

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1. Core results are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 6 in the Notes to the consolidated financial statements. A reconciliation from core to reported operating profit is included within the Consolidated income statement in the Financial statements
2. Core operating profit is measured before R&D costs when used as one of the performance criteria for determining the Executive Directors' remuneration
3. See reconciliation on page 34
4. Group net debt is calculated as Group total debt less Group total cash. Group total debt excludes co-development agreements and contingent liabilities

I am pleased with our performance in 2021, with growth in all three businesses. We have continued to launch new products while benefitting from the breadth of our portfolio.

Khalid Nabilsi
Chief Financial Officer

Reported results (statutory)

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

Core results[3] (underlying)

	2021 $million	2020 $million	Change	Constant currency[1] 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)[2]	**194.8**	172.9	13%	17%

1 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
2 In June 2020, Hikma purchased 12.8 million ordinary shares from Boehringer Ingelheim, which are being held in treasury
3 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 6 of the Group consolidated financial statements. Core results are a non-IFRS measure and a reconciliation to reported IFRS measures is provided on page 33
4 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 34 for a reconciliation of Group net debt to reported IFRS figures
5 Core EBITDA is earnings before interest, tax, depreciation, amortisation, assets write-down and impairment charges/reversals. EBITDA is a non-IFRS measure, see page 34 for a reconciliation to reported IFRS results
6 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
7 Subject to FTC approval

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[4] of $420 million and low leverage at 0.6x net debt to core EBITDA[5,6]
- 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[7], 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

Group

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 focused 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[1], core other net operating expenses were $38 million (2020: $44 million), which primarily comprised foreign exchange-related costs.

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

1 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 6 of the Group consolidated financial statements for further information

Injectables

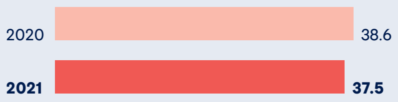
We supply hospitals across our markets with generic injectables, supported by our manufacturing facilities in the US, Europe and MENA. In the US, we have broadened our product offering to include compounded sterile injectables.

Financial highlights

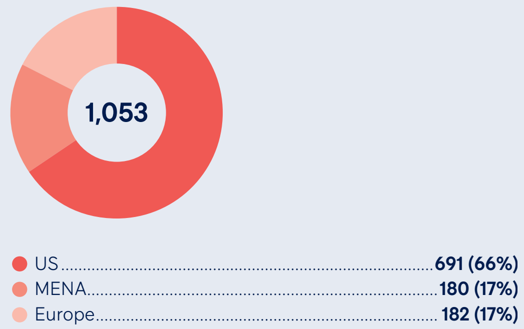
	2021 $million	2020 $million	Change	Constant currency change
Revenue	**1,053**	977	8%	6%
Core revenue	**1,053**	977	8%	6%
Gross profit	**581**	563	3%	2%
Core gross profit	**581**	563	3%	2%
Core gross margin	***55.2%***	*57.6%*	*(2.4)pp*	*(1.9)pp*
Operating profit	**351**	354	(1)%	1%
Core operating profit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

Core revenue ($m)

Core operating margin (%)



Core revenue by region ($m)



Outlook for 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%.

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)[1] 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.

We are benefitting from strong commercial capabilities across our markets and flexible, high-quality operations

1 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 6 of the Group consolidated financial statements for further information

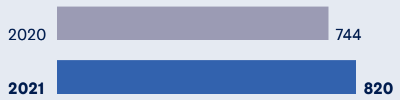
Generics

We supply oral and other non-injectable generic and specialty branded products in the US retail market, leveraging our state-of-art manufacturing facility in Columbus, Ohio.

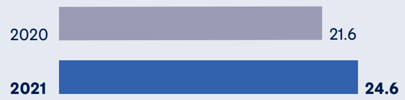
Financial highlights

	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*

Core revenue ($m)



Core operating margin (%)



Outlook for 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%.

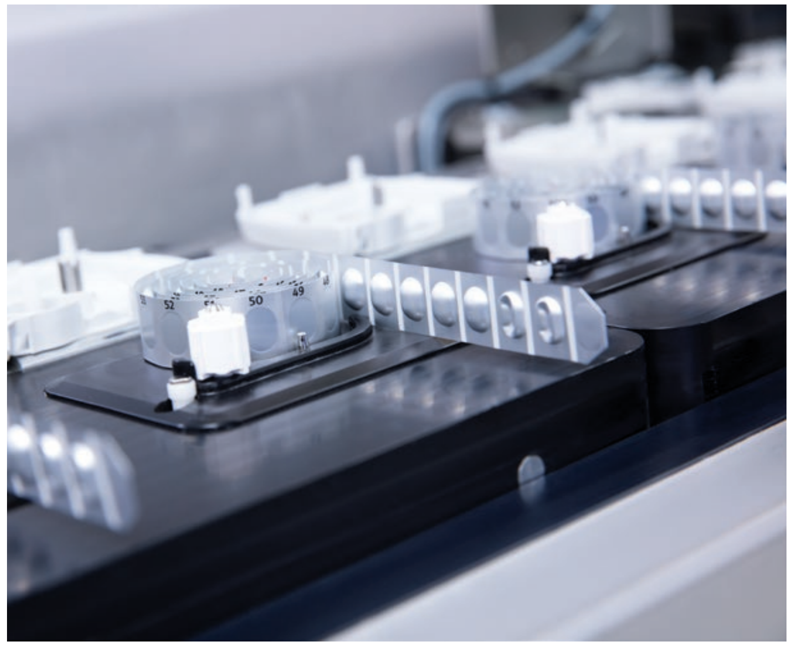
The good revenue growth in our Generics business, up 10% in 2021, was primarily driven by a strong performance from recently launched products, which more than offset increased price erosion.

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[1], mostly due to the improvement in gross profit. While sales and marketing spend increased as a result of the expansion of our specialty business, 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.

We are delivering strong operating profit expansion, benefitting from recently launched products



1 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 6 of the Group consolidated financial statements for further information

Branded

We supply branded generics and in-licensed patented products from our local manufacturing facilities to retail and hospital customers across the MENA region.

Financial highlights

	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*

Core revenue ($m)

Core operating margin (%)

Outlook for 2022

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.

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[1], 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%).

Our growth is increasingly coming from medicines used to treat chronic illness

1 Exceptional items comprised a $11 million intangible assets write-down. Amortisation of intangible assets (other than software) was $10 million. Refer to Note 6 of the Group consolidated financial statements for further information

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[1]	2021 approvals[1]	2021 launches[1]
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[2], 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.

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[3], 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.

1 New products submitted, approved and launched by country in 2021
2 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
3 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 6 of the Group consolidated financial statements for further information

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.

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).

On 24 February 2022, the Group announced 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).

Outlook

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.

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 6 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 provisions	–	12
MENA severance and restructuring costs	–	3
Core EBITDA	**727**	**674**

Working capital days

We believe Group working capital days provide 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)**

ROIC

ROIC is calculated as core operating profit after interest and tax divided by invested capital (calculated as total equity plus net debt). This measures our efficiency in allocating capital to profitable investments.

ROIC	2021 $ million	2020 $ million
Core operating profit	632	566
Total tax	(137)	(121)
Core operating profit before tax	**495**	**445**
Net debt	420	605
Equity	2,467	2,148
Invested capital	**2,887**	**2,753**
ROIC	**17.1%**	**16.2%**

Sustainability

We have a duty of care towards patients, communities, our people and the environment. We are a responsible and sustainable company, and use our business to promote positive change.

In this section

Businesses have a crucial role to play as stewards for future generations. At Hikma, we strive to put better health within reach, every day and make a difference to people's lives. We have a duty to act responsibly: for our people, patients, communities and the planet. That is why we have identified four focus areas where we can drive positive impact. We advance health and wellbeing; we empower our people; we protect the environment; and we build trust through quality in everything we do.

This Acting responsibly section in the Annual Report provides a glance at some of our sustainability efforts. A more comprehensive overview can be found in our Sustainability Report 2021 to be published in the second quarter of 2022.

Acting responsibly at Hikma

Advancing heath and wellbeing p38

Providing better healthcare and supporting our communities
- Access to medicines
- Corporate social responsibility
  - Providing better health
  - Supporting education
  - Helping people in need

Empowering our people p42

Shaping an inclusive culture where everyone can thrive
- Recruitment, retention and promotion
- Diversity, equity and inclusion
- Ensuring health and safety

Protecting the environment p44

Minimising our impact on the planet
- Reduction of greenhouse gas emissions (GHG)
- Sustainable supply chain
- Water management
- Waste management

Building trust through quality in everything we do p50

Upholding ethical standards and acting with integrity
- Ethics and compliance
- Product quality and safety
- Corporate governance

Advancing health and wellbeing

Providing better healthcare and supporting our communities

Access to medicines

We consider access to medicine to be one of our highest sustainability priorities. As a generics pharmaceutical company, we are in the business of making medicines both affordable and accessible across our geographies, which is consistent with our purpose to put better health within reach, every day.

Across the MENA region, where we have a broad local manufacturing presence and are the fourth largest company in region according to sales, we develop, produce and distribute important medicines, making sure that underserved populations have access to the medicines they need, when they need them.

In the US, where we are a top-10 generics company, we are a proud member of the Association for Accessible Medicines (AAM), an advocacy group that advances access to generic medicines. Through this partnership, along with our generic peer companies, we strive to get safe, effective and less costly medicines into the hands of patients across the US who need them.

In Europe, we have three manufacturing sites, sell our products in several countries and continue to expand.

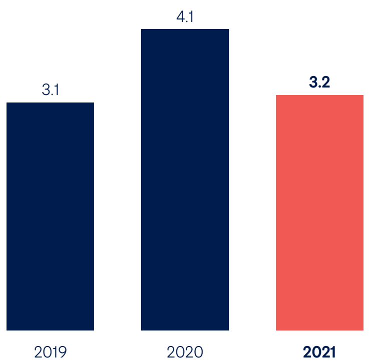
Our broad portfolio of medicines, frequent new product launches and focus on expanding our product pipeline allow us to increase access to medicines in each of the countries in which we operate.

As a generics pharmaceutical company, we are in the business of making medicines both affordable and accessible across our geographies

Medicine donations

We have an active medicine donation programme, through which we provide direct support to those people and communities that need it most: including low-income groups, displaced persons, children with life-threatening illnesses, and patients without sufficient medical coverage. During 2021, we continued to support our partners including Direct Relief, Dispensary of Hope, Americares, the Brother's Brother Foundation, the National Children's Cancer Society, Save the Children and others. During the year, we donated $3.2 million of medicine (value based on cost of goods). Our medicine donations in 2020 were higher than 2021 due mainly to our response to the medical emergency following the explosion in Beirut, Lebanon.

Medicine donations
(COGS)$m



Addressing medicine shortages

Hikma's broad portfolio and flexible manufacturing capabilities enable us to quickly respond to urgent needs for important medicines, especially when critical shortages exist. In the US, we work closely with the US Food and Drug Administration (FDA) to anticipate and address shortages of vital medicines. We have done this consistently throughout the pandemic by altering our manufacturing schedules to prioritise production of medicines in short supply that hospitals need for treating their most seriously ill COVID-19 patients. Hikma has played a leading role in addressing US drug shortages, launching more than 20 medicines into shortage situations in recent years and receiving an award from the FDA for our efforts.

During the year, we donated
$3.2m
of medicine (value based on cost of goods).

Corporate social responsibility

We work across three focus areas to address socio-economic hardships and to provide relief to those most in need.

Providing better health: We work to address unmet healthcare needs by conducting community outreach and providing in-kind medicine donations to patients in need.

Supporting education: We are committed to providing our people and communities with opportunities to realise their full potential through continuous learning and development.

Helping people in need: We believe in supporting the communities we live and work in through local non-profit sponsorships and empowering our employees to support our neighbours in need.

Hikma employee volunteering in 2021

More than:
4,700
volunteers

Nearly:
8,300
hours of volunteering

Engaging communities across:
13
countries

We address socio-economic hardships and provide relief to those most in need across our geographies

Providing better health

Global breast cancer awareness campaign

Our annual campaign engages employees and raises awareness about the value of early detection and treatment. As part of our campaign, we offer employees self-screening training, educational lectures and facilitated appointments with doctors. We also extended our support to various organisations, providing financial donations and material support to hospitals and charities in the US, Jordan, Morocco, Sudan and Egypt.

More than

$85,000

donated to the US National Breast Cancer Foundation and the King Hussein Cancer Foundation in Jordan

60

Held self screening training sessions for 60 women in Portugal

270

Organised online and in-person public awareness campaigns across MENA, with 270 attendees

135

Provided free mammogram screening for 135 women in Jordan, Egypt and Sudan

Supporting education

Partnering with the United Nations High Commissioner for Refugees (UNHCR) to strengthen access to higher education for refugees

In 2021, we partnered with the UNHCR to support their DAFI (Albert Einstein German Academic Refugee Initiative) scholarship programme with the goal of providing higher education scholarships and internship opportunities for 40 refugees in Jordan, Egypt and Algeria.

This programme supports the UNHCR objective of increasing the proportion of young refugees enrolled in higher education programmes from 3% to 15% by 2030.

Helping people in need

Strengthening food security in our communities

We continue to address food shortages caused by overstretched support systems and situations of poverty, organising extensive meal donation activities in several locations.

115,000

Meals donated across local banks and pantry partners in the US.

5,000

Distributed food packages to more than 5,000 people in need in Algeria, Egypt, Morocco, Saudi Arabia, Iraq, Lebanon, Sudan and Tunisia.

950

Meals donated to low-income families by partnering with local Jordanian charities Taalof Alkhair and Tkiyet Um Ali.

Empowering our people

Shaping an inclusive culture where everyone can thrive

Our people are at the heart of our culture of progress and belonging. We have taken actions in several areas to empower our people.

Recruitment, retention and promotion

We support our employees through their journey at Hikma by providing a conducive environment for them to learn and grow. During the pandemic, we continued to focus on learning and development, providing hybrid (virtual and face-to-face) programmes. We increased our focus on leadership development through bespoke programmes that align with our new cultural values.

We are taking a number of steps to ensure we recruit the best talent, including partnering with various universities and enhancing our recruitment criteria. As part of these efforts, we are also seeking to recruit more diverse talent. In 2021, we recruited 37% women and 63% men. We will continue these efforts in 2022.

Voluntary and involuntary turnover – 2021

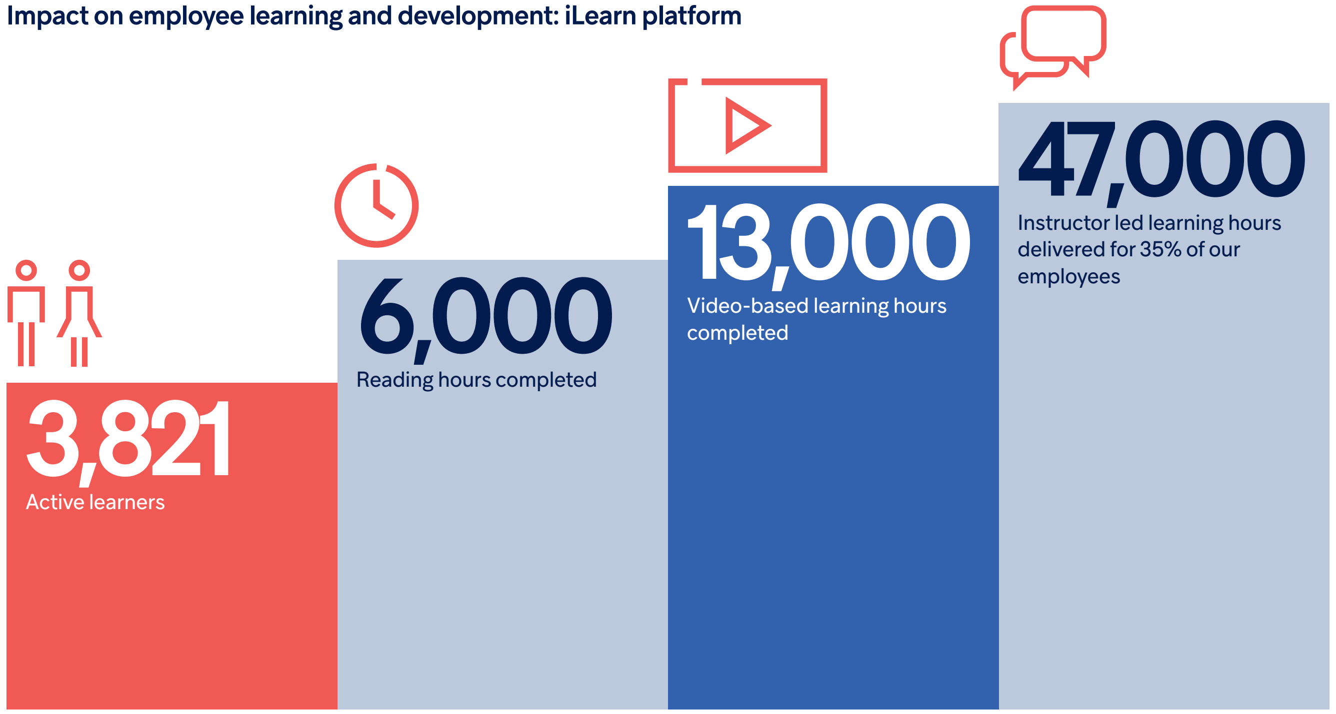
Total:
13%

12%
Turnover (men)

14%
Turnover (women)

Our people are at the heart of our culture of progress and belonging

Impact on employee learning and development: iLearn platform



Diversity, equity and inclusion

In 2020, we established the Diversity, Equity and Inclusion (DEI) Committee, led by three Executive Committee members, in order to ensure we continue to create a culture where everyone feels they belong. In the US, we established our first employee resource group: the Black Employees Advisory Board. Continuing on the work done in 2020, in 2021, the DEI Committee developed guidelines to create Employee Resource Groups (ERGs) and an additional ERG was created: the Hikma Women's Network. Both ERGs will assist with ensuring a more inclusive culture where all employees can thrive.

Ensuring health and safety

Employee health and safety

In order to emphasise the importance of employee health and safety, in 2021 we updated our Group Environmental Health and Safety Policy Statement and had it issued by our CEO. The statement reaffirms our commitment to employee health and safety.

COVID-19

During 2021, Hikma continued to take measures to protect our employees during the COVID-19 pandemic. We monitored and adjusted our mitigation strategies as new information and guidance became available. We provided our employees with vaccination information and encouraged them to get vaccinated when eligible. We hosted vaccination clinics for employees and their families at some of our larger facilities.

Protecting the environment

Minimising our impact on the planet

We are improving the way we monitor our environmental impacts, strengthening the oversight and management of our energy consumption, emissions, water and waste. We also continue to pursue actions to improve our energy efficiency and have developed an emissions reduction target for Scope 1 and 2 emissions.

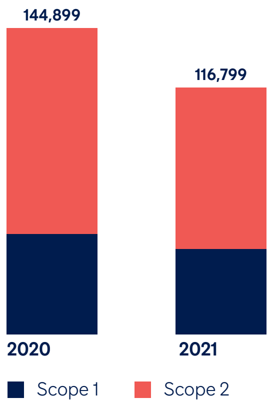
Greenhouse gas emissions: Scope 1 and 2

During the 2021 reporting period, our measured Scope 1 and 2 emissions (market-based) were 116,779 tonnes of carbon dioxide equivalent (tCO_2e). This marks a decrease between 2020 and 2021 of 19%, due largely to our continued investment in renewable energy and improved efficiencies. Using the location-based method, our Scope 1 and 2 emissions reduced by 8% between 2020 and 2021.

Our reporting of Scope 1 and 2 emissions has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to the Companies Act (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting.

We have put in place a target to reduce our Scope 1 and 2 GHG emissions by 25% by 2030, using a 2020 baseline

GHG emissions (tCO_2e)



	2021	2020
Scope 1 – Combustion of fuel and operation of facilities	**40,450**	47,372
Scope 2 (market-based) – Electricity	**76,328**	97,527
Total Scope 1 and 2 emissions (market-based)	**116,779**	144,899
Scope 2 (location-based) – Electricity	**90,031**	94,949

- Emissions from the consumption of electricity are reported in tCO_2e. However, since the International Energy Agency emission factors for electricity currently account for carbon dioxide emissions only, part of these emissions are in tCO_2
- 2020 data has been revised due to improved data availability, quality and accuracy

Energy consumption (MWh)

	2021			2020		
	UK	Rest of the world	Total	UK	Rest of the world	Total
Electricity	**116**	**177,856**	**177,972**	129	223,634	223,763
Fuels[1]	**–**	**201,641**	**201,641**	871	217,644	218,514

1 Natural gas and transportation fuels (petrol and diesel). Reported fuel use in 2020 for the UK is an estimate that was developed based on employee headcount. The 2021 disclosure is based on actual data for which there was no reported fuel consumption generated out of the UK.

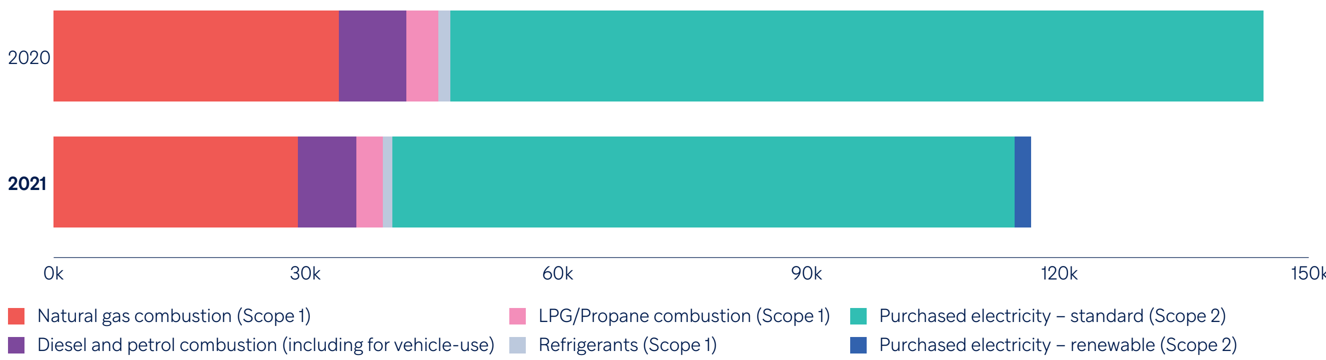
116,779 tCO_2e

Scope 1 and 2 emissions (market-based) total.

Between 2020 and 2021, a decrease of

19%

GHG emissions breakdown by source (market-based)



Emissions intensity: revenue ($m)[1]

	2021	2020
Scope 1 and 2 emissions (market-based)/revenue	**45.7**	61.9
Scope 1 and 2 emissions (location-based)/revenue	**51.1**	60.8

1 Emissions intensity is calculated using Group-wide revenue ($m)
- Revenue 2020: 2,341
- Revenue 2021: 2,553

Our UK office

The Group operates one location within the United Kingdom, where we are listed, which is an office building that is managed by a third party. During the year, the UK site consumed 116,392 kWh (2020: 128,654 kWh) of energy, which is equivalent to 25 tCO_2e.

The energy consumption is measured by meter readings provided by the managing agent and relates to electricity used for heating, cooling and general office power. The Group does not provide transport within the UK other than via private hire vehicles for which consumption data is not available. During the year, the UK site was assessed by an independent expert for the potential to improve energy efficiency, and recommendations were provided for actions to be undertaken in the future.

Proportion of Group emissions derived from the United Kingdom and offshore area

UK	0.02%

Measures to improve efficiency and reduce our carbon footprint

We continue to improve the energy efficiency of our operations. As part of our efforts to reduce our GHG emissions from our sites in the USA, we supported the generation of 35,000 MWh of clean energy generated in the US in 2021 through the acquisition of Renewable Energy Certificates (RECs). Those acquired Renewable Energy Certificates were certified under Green-e Renewable Energy Standard for Canada and the United States v3.5 ensuring strong compliance with standards, quality assurance and proper oversight.

Also, in Germany, Italy, Portugal and Sudan, we procure a portion of our electricity from renewable sources.

In Tunisia, we installed our first combined cooling, heat and power (CCHP) system, helping to reduce costs and emissions at our locations there. In other locations such as Egypt and Morocco, we continued our roll-out of more efficient light emitting diode (LED) fixtures. In locations including Jordan and Tunisia, we installed building management systems (BMS) which provide economic and sustainability benefits.

Target

We have put in place a target to reduce our Scope 1 and 2 GHG emissions by 25% by 2030, using a 2020 baseline. The target was developed using the absolute contraction approach and is in line with the Paris Climate Agreement's well-below 2°C scenario.

Our approach to achieve the target

We are committed to achieving our emissions reduction target while continuing to deliver on our strategy and grow the business.

We have taken significant steps in 2021 to reduce our Scope 1 and 2 emissions. Our purchase of RECs in the US provided substantial Scope 2 emissions reductions for 2021. Our preferred approach for Scope 2 emissions reductions is to contribute to the growth of the renewable energy capacity of the grid. We will be exploring such opportunities in 2022 and onwards.

In addition to our actions towards achieving our Scope 1 and 2 emissions target, we will focus in 2022 on identifying opportunities to make a meaningful impact on our Scope 3 emissions.

In Tunisia, we installed our first combined cooling, heat and power (CCHP) system, helping to reduce costs and emissions at our locations there

Methodology for Scope 1 and 2

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance. We consolidate our organisational boundary according to the operational control approach, which includes all our facilities. Due to this boundary, joint ventures with less than 50% holding are not included as we do not have operational control. We have adopted a materiality threshold of 5% for GHG reporting purposes.

In some cases, where data is missing, it has been estimated using the following methodology: using data from one year prior to the month to be estimated or previous year as proxy, calculate an average daily consumption over that period and applying that to the number of days within the month to be estimated.

The GHG sources that constituted our operational boundary for Scope 1 and 2 are:

Scope 1:
- Natural gas combustion
- Diesel combustion
- Petrol combustion
- LPG/Propane combustion
- Vehicle emissions
- Refrigerants

Scope 2:
- Purchased electricity – standard
- Purchased electricity – renewable

We conducted an in-depth analysis of our supply chain to understand the size of our Scope 3 footprint

GHG emissions: Scope 3

We conducted an in-depth analysis of our supply chain to understand the size of our Scope 3 footprint and performed a relevance assessment to identify the most material and relevant categories with the support of an external partner.

In line with Greenhouse Gas Protocol technical guidance for calculating Scope 3 emissions, we use a combination of a spend-based method and, wherever possible, an average-data method leveraging respectively Exiobase 3.4 and Ecoinvent 3.7.1 databases. Our methodology incorporates supplier location, inflation and currency rates in order to increase the accuracy of our reporting.

For most relevant categories, as reflected below, full year 2021 Scope 3 emissions are estimated, at 837,227 tCO_2e and have been externally verified.

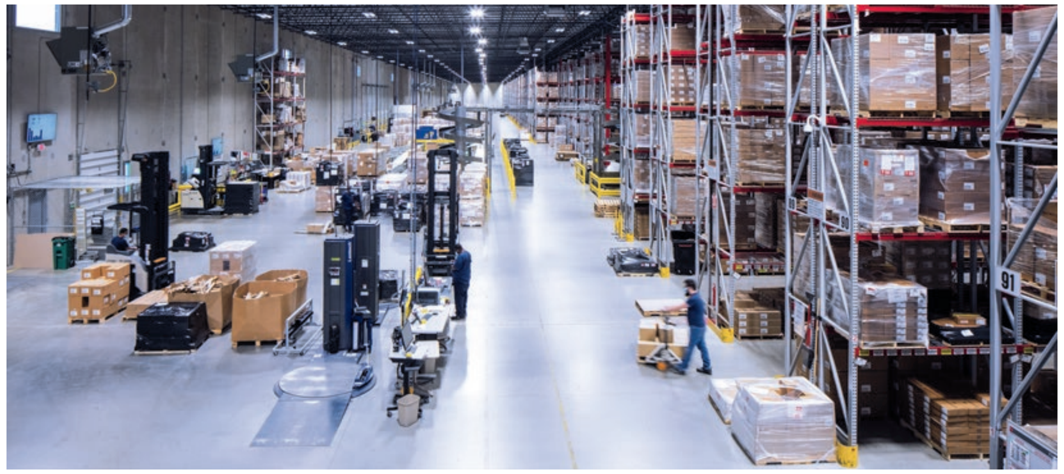
Scope 3 emissions for these categories represent 88% of all Hikma emissions to manufacture, promote and distribute its products.

Other Scope 3 categories were either not significant enough for reporting or not applicable.

Moving forward, we will be looking at engaging with our supplier base to obtain supplier specific or product level emissions data to improve our Scope 3 data quality and identify opportunities to reduce our carbon footprint.

GHG emissions, Scope 3 (tCO_2e)

Scope 3 category	Category description	tCO_2e	Verification level
1	Purchase of goods and services	742,987	Limited assurance
2	Capital goods	27,694	Limited assurance
3	Fuel- and energy-related activities (FERA) (not included in Scope 1 or Scope 2)	39,166	Reasonable assurance
4	Upstream transportation and distribution	27,380	Limited assurance
	Total	**837,227**	



Verification of Scope 1 and 2 and FERA emissions data

Carbon Credentials Energy Services Ltd (Carbon Intelligence) has been contracted by Hikma Pharmaceuticals PLC for the independent third-party verification of direct and indirect carbon dioxide equivalent emissions (CO_2e) as provided in the 2021 company Annual Report and accounts to a reasonable level of assurance in relation to ISO 14064-3 Greenhouse gases.

Verified emissions by scope include:

Scope 1 emissions
- Combustion of gaseous fuels (natural gas, diesel, petrol and LPG)
- Fugitive refrigerant gases

Scope 2 emissions
- Purchased electricity consumption (location and market-based)

Scope 3 emissions
- Fuel- and energy-related activities (not included in Scope 1 or Scope 2)

Carbon Intelligence concludes with reasonable assurance, using the ISO 14064-3 standard, that the GHG assertion is materially correct, is a fair representation of the GHG emissions data and information and is prepared in accordance with the relevant criteria. The full verification statement can be found here www.hikma.com/sustainability.

Limited assurance of specific Scope 3 categories

For external assurance of the remaining three Scope 3 categories (Purchase of goods and services, Capital goods and Upstream transportation and distribution), we worked with an external third party, Sievo Oy, to assess our carbon footprint for these categories. Sievo has contracted EY under a 'limited assurance engagement', as defined by International Standards on Assurance Engagements 3000 (ISAE 3000) to report on the methodology and the emission factors used behind 'CO_2 Analytics' tool (the Tool) as of 21 January 2022 (all together the 'Emission Information'). The full assurance statement can be found at www.hikma.com/sustainability.

Water and waste management

We have programmes and practices in place to manage water and waste and we comply with all relevant laws and regulations in this regard.

The use of water is critical for the pharmaceutical manufacturing process. In 2021, we conducted a water screening exercise with external consultants to identify water-related risks in the short, medium and long term. The analysis included 20 manufacturing sites across 11 countries and, using various evaluation tools such as the World Resources Institute Aqueduct and World Wildlife Fund Water Risk Filter, assessed risks at each location. The study also included a general climate analysis, whereby we assessed how water-related risks might be affected by climate change in the medium and long term. Through the analysis, we identified which sites had the greatest exposure to water scarcity. In 2022, we will work with relevant sites to improve understanding of how water is withdrawn, used and discharged from them and this knowledge will help us identify water conservation opportunities.

We are also improving the way in which we monitor and manage our waste, and are actively measuring the amount of hazardous and non-hazardous waste generated through our operations.

More information about water and waste management will be included in our 2021 Sustainability Report.

Building trust through quality in everything we do

Hikma employees, officers and Directors are trained on the Code of Conduct as part of their induction and are provided refresher training on a periodic basis

Upholding ethical standards and acting with integrity

Ethics and compliance

Hikma is committed to upholding the highest ethical standards in the conduct of its global business operations, which is grounded in our values of caring, innovation, and collaboration.

Our values serve as the foundation for a strong governance framework that is fundamental to our long-term organisational success. Our Code of Conduct sets out behaviours we expect from our employees as we conduct our business, and provides an overview of our legal, regulatory, and ethical requirements. Our Code provides guidance to our employees and partners on the ethics of Hikma's business activities through the identification and discussion of various risks associated with our business.

In addition to our Code, we have also developed policies and procedures designed to help employees and third parties put these behaviours into practice. Hikma employees, officers and Directors are trained on the Code of Conduct as part of their induction and are provided refresher training on a periodic basis. Through our global compliance programme we have adopted internal controls and management processes to ensure the responsible and ethical conduct of our business. This includes compliance with all relevant global and local laws, codes and regulations wherever we operate. We believe in transparency and promote a culture that encourages employees to raise any concerns about potential violation of laws and regulations, or any other behaviours or incidents that do not comply with our Code of Conduct. In addition, our speak up line provides both internal and external stakeholders a resource to use to raise concerns about suspected misconduct confidentially. All cases received are reviewed by our Legal and Compliance teams, and investigated, as appropriate, by Legal and Compliance personnel. Substantiated violations of our Code of Conduct, or other policies and procedures are addressed through our disciplinary procedures.

Our Compliance, Responsibility and Ethics Committee provides oversight of our global compliance programme and the management of associated risks, including bribery and corruption. We have a zero tolerance policy for bribery and corruption at Hikma. As a publicly listed company on the London Stock Exchange (LSE), we are subject to the regulations of the UK Listing Authority. We also comply with the UK Bribery Act 2010 and the US Foreign Corrupt Practices Act, as well as global anti-corruption standards and local anti-bribery and corruption laws.

In 2021, we implemented RiskRate, an automated third-party risk management system through which all new third-party suppliers to the Group are entered and monitored through the Group's third-party risk management programme. We also established a stand-alone global Non-Retaliation Policy to reaffirm Hikma's commitment to open-door communication and the protection of individuals who raise issues and concerns in good faith.

Founding member of the Partnering Against Corruption Initiative (PACI)

Hikma is a founding member of the Partnering Against Corruption Initiative (PACI), a cross-industry collaborative effort established through the World Economic Forum dedicated to promoting compliance and eliminating corruption. We are also members of the Business 20 (B20) Anti-Corruption Working Group. The B20 represents the business voice of the G20 group of governments and the Anti-Corruption Working Group has a mandate to help companies improve their ethical conduct.

Maintaining our membership of the FTSE4Good Index

For the seventh consecutive year, we maintained our membership of the FTSE4Good Index Series – an index of LSE-listed companies that demonstrate strong Environmental, Social and Governance (ESG) practices as measured against globally recognised standards.

The FTSE4Good evaluates companies' effectiveness in addressing issues such as human rights, anti-corruption, environmental performance, health and safety, and community engagement. Their assessments are used by a wide variety of market participants to develop responsible investment funds and other products. Our ESG rating in 2021 was 3.2, placing us in the 69th percentile as compared to industry peers that are listed in the index. Our aim is to continue improving our management of ESG issues.

This year, our FTSE4Good Index score was

3.2

placing us in the 69th percentile as compared to other industry peer members.

The Board of Directors have overarching oversight of our ESG strategy

Product quality and safety

Ensuring quality is inherent in every step we take in developing and manufacturing our medicines. Each of our pharmaceutical ingredients and finished doses undergo multiple, thorough quality testing and inspection. The Quality team is a global team tasked with undertaking ongoing quality audits around the world in our manufacturing sites.

The health and safety of our patients is at the heart of what we do. We operate a rigorous pharmacovigilance system to prevent patient harm and to promote the safe and effective use of our products.

We have globally aligned processes to detect, evaluate and communicate any change to the benefit-risk ratio of our products and to implement timely corrective and preventative actions.

We conduct our pharmacovigilance activities globally across the whole lifespan of our products, complying with all local regulations and safety reporting timelines.

Pharmacovigilance is monitored at the highest levels of our business and is included in our Enterprise Risk Management framework, which is overseen by the Executive Committee and the Board on a regular basis.

To ensure our pharmacovigilance system is achieving its objectives, we monitor our worldwide compliance metrics every month. These are recorded in monthly operational reports and reviewed in global and regional pharmacovigilance meetings.

Corporate governance

In 2021, we conducted a Group-wide review of our environmental, social and governance (ESG) strategy. As part of this review, we re-examined which ESG issues are of greatest importance to Hikma as well as our key stakeholders. These issues will be described in more detail in our 2021 Sustainability Report.

While certain elements of our ESG strategy are governed by various board committees, our Board of Directors have overarching oversight of our ESG strategy including environmental aspects and TCFD strategy and reporting.

Our Executive Vice President (EVP) of Business Operations, who reports directly into our CEO, leads our ESG reporting as well as our internal cross-functional working group integrating TCFD into our business. Our CSR strategy is governed by the Compliance, Responsibility and Ethics Committee. More information on our corporate governance and our management of ESG issues can be found on page 68.

Aligning with the TCFD

We are continuously aligning our internal processes and public disclosures with the Task Force for Climate-related Financial Disclosures (TCFD).

In accordance with Listing Rule LR 9.8.6 (8) we are including disclosures that are consistent with the TCFD Recommendations, recognising that we will continue to improve our implementation of the recommendations, especially in the area of strategy resilience and the improvement of metrics and targets. This section summarises our progress as of 31 December 2021 against the four TCFD categories which include:

Governance: our governance structure to provide effective oversight over our climate-related risks and opportunities

Strategy: our evaluation of the actual and potential impacts of climate-related risks and opportunities on our business, strategy, and financial planning over the short, medium, and long term

Risk management: how we identify, assess, and manage climate-related risks

Metrics and targets: our progress on setting metrics and targets to assess and manage our material climate-related risks and opportunities

Governance

Board level oversight

Our Board of Directors retains overarching oversight of our TCFD strategy including our climate-related risks and opportunities. We are planning to conduct additional Board training in 2022.

Management level leadership

At the management level, we bring together the expertise of many senior leaders from across our organisation given the diverse nature of our climate-related risks and opportunities. Our Executive Vice President (EVP) of Business Operations, who reports directly into our CEO, leads our internal cross-functional working group integrating TCFD recommendations into our business. As Chair of this working group, she drives progress in understanding Hikma's climate-related risks and opportunities, bringing together the relevant expertise and provides updates directly to the Board as a whole. Our TCFD working group meets on a regular basis with external consultant support with the objective to progress our understanding of Hikma's climate-related risks and opportunities and to take appropriate action.

Strategy

Climate-related risks and opportunities and their impact

With the assistance of third-party climate expertise, Hikma undertook an identification and assessment project to better understand the top climate-related risks and opportunities that could be significant to Hikma's business. The following were selected for further modelling of their financial impact based on strategic importance to Hikma, correlation with other projects and initiatives and granular data availability for modelling.

Physical risks

- Impact of storms and flooding on our facilities and operations

Transition risks

- Impact of carbon pricing on the raw materials costs of some of our most energy intensive inputs such as APIs and packaging
- Changes in investor preferences around ESG impacting our market valuation

Opportunities

Our exposure to energy pricing changes was reviewed. Alongside this energy modelling, we reviewed various strategic opportunities to reduce our energy risk and reduce our carbon impact by changing our energy mix, setting an energy strategy, and reducing our overall demand through efficiencies. We will continue to work on our transition plan in 2022.

Methodology

We used a mixture of qualitative and quantitative modelling to understand how these risks and opportunities may change under different climate futures as well as three different time horizons. We used the Bank of England's reference climate scenarios to understand the potential future physical differences in climate driven by temperature changes, outlined in the Representative Concentration Pathways (RCP). Also, we have used the Shared Socioeconomic Pathways (SSPs). Through this exercise we were able to better understand the potential financial impacts of the identified climate risks and opportunities, which will be input into our strategic planning.

We used a mixture of qualitative and quantitative modelling to understand how climate-related risks and opportunities may change under different climate futures

Resilience of Hikma's strategy

From our financial impact modelling we were able to understand how certain areas of our business could be impacted by climate change. The table below summarises the key insights from our financial impact modelling conducted this year for the five risks and opportunities.

Carbon pricing impacts on our supply chain

We looked at projected carbon pricing in several regions under different climate scenarios, and the potential pass-on cost that could occur within our supply chain inflating our costs. As APIs and packaging materials are some of our most energy and carbon intensive procured goods, it is these materials that would likely be impacted the most by the introduction of carbon prices and therefore formed the basis of our modelling.

We have a sustainable procurement programme in place to better understand the carbon impacts of the goods and services we procure. As a key mitigation, we intend to engage with our main materials suppliers to understand their goals to reduce carbon, move to renewable energy and increase energy efficiencies in their production. Through supplier engagement, we anticipate we can partly mitigate the impact of carbon pricing pass-on in the future.

Energy pricing changes and our energy strategy

While energy costs to our business make up only approximately 1% of total costs, energy is highly linked to our sustainability strategy and our continued efforts to reduce our impact on the environment; particularly through energy efficiency and moving to renewable energy.

We modelled multiple opportunities to understand how we mitigate and enhance our energy strategy over time, including different energy mixes in our different regions and achievement of different energy efficiency goals. This modelling work will provide input into our energy transition plan.

Investor preference change

Investor preferences around ESG credentials are changing. We modelled the potential impact on our market valuation, from shifting investor allocations away from assets which do not meet ESG requirements and from decreasing ESG benchmark ratings.

Hikma is already engaging and communicating with investors on ESG-related matters including climate.

By ensuring we continue to strengthen and communicate our climate and sustainability ambitions and performance, this risk is mitigated. See our Acting responsibly section, page 37, for more information on our performance this year.

Physical impacts on our facilities

Given our geographical spread across many regions we have varying levels of exposure to physical risks of climate change in our different locations.

The modelling of increasing risk of storms and flood causing damage to our facilities, as well as disruption to our operations, show that we have limited direct exposure to these acute risks in a future 1.5°C and well-below 2°C world. However, as the risk increases under a business-as-usual scenario where global warming exceeds 3°C there is some potential risk for our facilities.

With the insights from our modelling and understanding that these risks are not significant to our sites at this stage, we will continue to engage with our operational facilities teams in the highest risk regions to ensure our business continuity and recovery processes are fit for purpose. The insights of this analysis were used in the stress testing for the longer-term viability assessment (see page 63).

Summary findings

The results of our financial impact assessment show that climate change is not expected to have a material impact on the Group's viability in the longer term. The longer-term is considered to be a time period of three years. This is in line with the timeframe used in the longer-term viability assessment (see page 63). We recognise that climate-related risks will continue to develop over a significantly longer period and assess that Hikma will be able to adapt its strategy and respond appropriately to any such risks that may threaten to have a material impact on the Group. We will continue to use the insights outlined above over the coming year to strengthen our monitoring metrics and understand where we need to improve our mitigation controls.

The results of our financial impact assessment determine that climate change is not expected to have a material impact on the Group's viability in the longer-term

Risk management

Process for identifying and assessing climate-related risks

We identify and assess climate related risks using a range of approaches. We conducted a risk identification and assessment exercise as part of the enterprise risk management process with all risk owners across the business. The outcomes of this review fed in to the TCFD Working Group's assessment of the most relevant climate-related risks for Hikma. We engaged external experts to support the TCFD Working Group to identify and assess climate-related risks using climate science data and known pathways. We use three timeframes to review and assess the likelihood and impacts of our climate risks and impacts. The first timeframe was for a period of three years, aligned with the longer-term viability assessment (see page 63). We also considered how climate-related risks might impact the Group further into the future.

Process for managing climate-related risks and integration of risk management processes

Climate-related risks are identified, assessed, and managed by teams across the organisation depending on the nature of the risk. Our risk management framework (see page 54-61) provides a structure for significant risks to be escalated and integrated into our enterprise risk management process. In 2021 we also established the TCFD Working Group, a cross-functional team to consolidate assessments on this emerging risk area.

Examples of how climate-related risks are managed and integrated into existing risk management activities include:

- Longer term viability assessment: environment and climate change related risks included in the scenario modelling (see page 63)
- Crisis and continuity management programme: site assessments of physical risks and controls (see page 60)

Looking forward to the coming year, environment and climate change will continue to be a focus area and will continue to be part of the enterprise risk management framework (see page 54-61). We will continue to build on our risk identification and modelling by working with key stakeholders across our business to understand existing risk mitigation controls and processes in place. Where we identify any control gaps or areas of improvement, we will build clear action plans and ownership to drive this forward to ensure our long-term resilience.

Metrics and targets

Metrics to assess climate-related risks and opportunities

We have taken steps to understand the financial impacts of some of our material risks and opportunities. The next steps are to improve the metrics by which we monitor these risks and capture opportunities, and the effectiveness of our controls. We also continue to improve our environmental metrics in relation to emissions, energy, water, and waste management.

The Remuneration Committee determined the CEO's performance target for 2021 which ensures that clear progress is being made with respect to the development and execution of the Group's Environmental, Social and Governance strategy, which includes the Group's climate-related programmes. This also includes the identification of climate-related risks and opportunities and the management thereof.

Disclosures of Scope 1 and 2 targets

An overview of our emissions targets, our carbon footprint and metrics on our energy consumption can be found in the Protecting the environment section of our Annual Report, see pages 44.

We will continue to build on our climate-related risk identification and modelling by working with key stakeholders

Risk management

In 2021, our risk assessments informed our decision-making on prioritisation and allocation of resources across the Group

In this section

Risk management framework

Risk context

Our purpose is to put better health within reach, every day for healthcare professionals and their patients.

We bring patients across the US, MENA and Europe a broad range of generic, specialty and branded pharmaceutical products.

The future is uncertain and it carries risk and opportunity for our business. These risks and opportunities may be related to our strategy and delivery of our objectives, the activities and processes of the organisation, the expectations of our stakeholders, or our key relationships and dependencies.

Find out more about the internal and external context for risk management for the Group in the 'CEO's strategic review' (pages 6–9), 'Our markets' (pages 18–19) and 'Our business model' (pages 20–21).

Risk strategy

Effective management of risk and opportunity is fundamental for the long-term success for the Group. We operate an Enterprise Risk Management (ERM) framework to ensure that we are comprehensive and structured in our approach. The framework delivers a thorough view of our risk exposure to inform our decision-making and enable the alignment, effectiveness and efficiency of our strategic, tactical, operational and compliance processes. The approach ensures we fulfil our obligations and provides assurance that our activities are appropriately controlled.

Risk appetite

The Board determines the nature and extent of the principal risks it is willing to take and communicates this through the Group risk appetite. The risk appetite outlines expected management strategies and details limits and tolerances on risk exposure for each of the principal risks. It forms the foundation of the ERM framework and guides management decision-making across the Group. The risk appetite is reviewed twice a year at Board-level and is monitored by management on an ongoing basis.

Risk governance

The Board has ultimate responsibility for the Group's approach to risk management and internal control. On behalf of the Board, the Audit Committee oversees risk management for the Group as part of its responsibilities for internal control.

The Audit Committee reviews the material risks facing the Group, considering different sources of assurance, including executive management, internal audit and external audit. The Chair of the Audit Committee is a standing member of the Compliance, Responsibility and Ethics Committee (CREC) ensuring connection between the Board committees with risk oversight responsibilities[1].

Internal audit provides independent assurance of the Group's internal control environment. For more details on our internal audit approach see page 83.

The ERM office enables and drives the implementation of effective risk management practices through the organisation, guides global risk owners in assessing and reporting their risks, coordinates emerging risk assessments, and establishes partnerships across the organisation to promote and develop a responsible risk culture.

Compliance and control functions with professional expertise in managing risk in specialist areas are in place across the organisation.

The CEO and Executive Committee have direct ownership of risk management for the Group. Risk management accountability is fully embedded within their executive responsibilities and includes assessments of strategic, tactical, operational and compliance related opportunities and risks.

As part of the risk governance framework, senior executives are assigned responsibility for specific principal risks. These global risk owners coordinate risk management activities across the organisation with support from management teams to ensure risk exposure is managed appropriately and in line with the risk appetite.

Effective management of risk and opportunity is fundamental for the long-term success for the Group

1. Full committee terms of reference are available on **www.hikma.com**

Risk management occurs across the organisation

Complementary management structures provide assurance over our risk management and internal control through standards, accountability, oversight, independent and external assessments.

Front-line management	Compliance and control	Executive accountability	Independent assurance	Board oversight
Operational activity	Corporate Compliance	Executive Committee	Internal audit	Board of Directors
Management reviews	Quality Compliance	Global risk owners	External consultants	Audit Committee
	Group Risk Office	External consultants	External audit	CREC
	Financial Compliance			
	Other compliance teams			

Risk management activities

Risk management activities occur at all levels of the organisation. The risk governance framework provides structure for these activities to ensure consistency of approach, alignment to the risk appetite and monitoring of our risk exposure across the organisation.

The ERM office coordinates regular risk assessments to review management of risks we already know about, and to identify, analyse and evaluate new and emerging risks.

These assessments are consolidated through the ERM office and reported to the Executive Committee by the global risk owners. Summarised reports and key outcomes are reviewed by the Audit Committee and Board. In addition to the core reporting processes described, a range of key risk management activities occurred during the year.

Risk management in practice

Recognising risk as the effect of uncertainty on objectives, our ability to manage risk enables delivery of our objectives. To ensure our assessments and management of risk are action-oriented we categorise our risks considering not just significance of risk exposure, but also the opportunity for management action, described in the 'Risk response decision-making' section below.

Examples of our risk management in practice are seen in the 'Hikma Egypt CCM engagement' and 'Hikma Morocco risk assessment' case studies on the next page.

Emerging risks

Emerging risks are those that are newly identified and have the potential to become significant risks for the Group, those that may already be well known but that are rapidly changing, or those that are developing over a longer term that may have significant impact on our ability to achieve our objectives.

Emerging risks are often driven by forces outside our control. Although emerging risks may be mitigated by existing control frameworks, they need to be assessed to determine if any aspects fall outside current processes or if the controls in place may become inadequate as the risk develops.

Our approach involves establishing cross-functional teams to assess the risks and opportunities recognising these may develop over an extended timeframe. The risk assessment methods deployed vary and may involve engaging with external experts, scenario modelling, engagement with existing risk mitigation programmes, and development of risk mitigation and control strategies that will be sustainable over the longer term.

Risk management activities in 2021

Reviewed the risk management framework, risk appetite, and principal risks

+

Monitored enterprise-wide key risk indicators aligned to risk appetite to assess risk exposure

+

Developed long-term climate related risk scenario models

+

Enhanced business continuity management for all manufacturing facilities

+

Refined scenario modelling approach for significant risk events based on principal and emerging risks

Priorities for 2022

In addition to core activities, in 2022 we will further embed our crisis and continuity management processes to strengthen our organisational resilience, with a focus on reviewing and integrating our IT Continuity and Disaster Recovery capabilities.

We will continue to develop partnerships between compliance and control functions to bring greater assurance for the Group.

We will further develop our emerging risk assessment processes, including a focus on emerging climate-related risks alongside our alignment with the recommendations from the Task Force on Climate-related Financial Disclosures (see pages 50–52 for more details).

In line with good practice, we will conduct an independent external assessment of our risk management programme to provide assurance to management and the Board.

Risk response decision-making

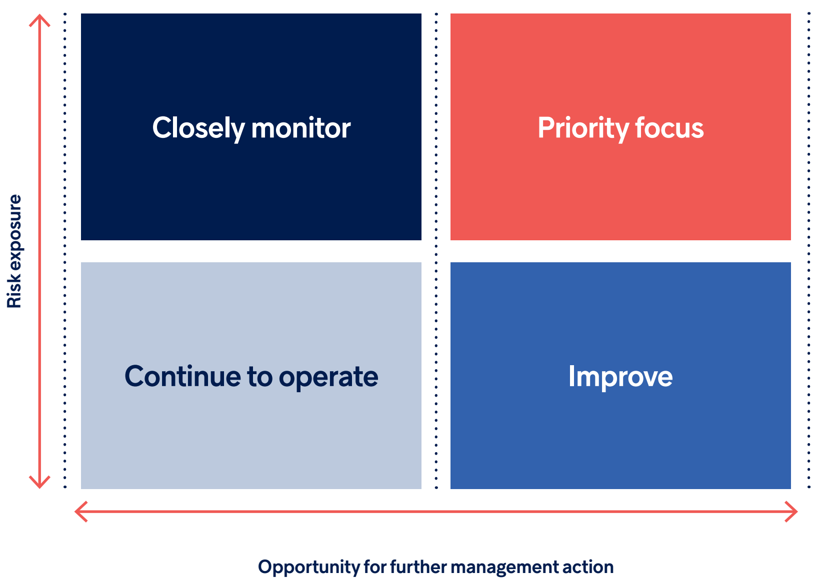
In our risk assessments we analyse our current risk exposure (given the controls we already have in place) and the opportunity for further management action to mitigate the risk.

Risks with higher risk exposure and opportunity for further management action are categorised as 'Priority focus'.

Risks with higher risk exposure but without reasonable opportunity for further management action are 'Closely monitor' risks.

Risks assessed as having lower risk exposure are either 'Improve' if there are reasonable actions that management can take, or 'Continue to operate' if no additional actions are considered necessary.

This approach helps guide our decision-making for risk response, prioritisation, and allocation of resources across the Group.



Case study: Hikma Egypt CCM engagement

Our Crisis and Continuity Management (CCM) Programme is designed to develop and embed capabilities across all parts of Hikma for key CCM disciplines: Crisis Management, Business Continuity (including IT Continuity and Disaster Recovery), and Emergency Response.

Country and site engagements coordinated by the CCM Programme provide local management teams with a structured approach to focus on this risk management activity with access to internal and external subject matter expertise, and the opportunity to share good practice across the Group.

The CCM engagement with Hikma Egypt was one of many such projects completed in 2021 and followed a tried and tested project plan.

After initial kick off with the General Manager and senior leadership team members, local and programme subject matter experts for each of the CCM disciplines reviewed existing arrangements, assessed changes in the organisation and business priorities, and updated processes and procedures. All locations, business activities, departments and key dependencies were considered.

The culmination of the engagement were CCM workshops and exercises that provided training for local management in handling various types of disruption.

Risk management activities occur at all levels of the organisation

Case study: Hikma Morocco risk assessment

Aligned to the Group-level enterprise risk management process, cross-functional country-level risk assessments are conducted periodically.

The ERM Office partners with Compliance to coordinate these engagements and provide support to local leadership teams in identifying, analysing and evaluating risks, and to connect with regional and Group functions for support and expertise.

The engagement with Hikma Morocco was one of many projects completed in 2021. The project was delivered with a hybrid on-site and remote support.

Through local functional risk workshops and senior management reviews the understanding of the risks facing Hikma Morocco was enhanced and risk response decisions taken for 'Priority focus' and 'Improve' risks.

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 Board has performed a robust assessment of the principal risks for the Group considering our risk context and input from executive management. Through this assessment, the Board has determined that the principal risks facing the Group have not materially changed over the year and that there are no new principal risks to be added. The set of principal risks should not be considered as an exhaustive list of all the risks the Group faces. Certain risk factors are outside the control of management.

The Board recognises that the principal risks are dynamic and that management of these risks must be continuous as the risk environment changes. The Board is satisfied that the principal risks are being managed appropriately and consistently with the target risk appetite.

Effectively managing these risks is directly linked to the performance of our strategic KPIs (see pages 22–23) and the delivery of the strategic priorities outlined on pages 6–9. Our principal risks are set out below with examples of management actions that help to control the risk; the actions described do not include all actions taken by management.

Industry dynamics

Risk description	Management actions
The commercial viability of the industry and business model we operate may change significantly as a result of political action, economic factors, societal pressures, regulatory interventions or changes to participants in the value chain of the industry.	– Growth and expansion in existing markets and by entering new geographic areas eg Canada and France – Capital investment in the countries in which we operate to ensure continued market access eg sterile injectable 503B compounding business in the US, Algeria oral oncology – Development of capacity and diversification of capability through differentiated technology – Collaboration with external partners for development and in-licensing partnerships – Continuous alignment of commercial and R&D organisations to identify market opportunities and meet demand through internal portfolio – Active product life cycle and pricing management – Leveraging the quality, reliability and flexibility of our manufacturing facilities for partnerships (such as contract manufacturing) – Working with a broad range of customers and expanding our relationships to cover new customers and purchasing models

Product pipeline

Risk description	Management actions
Selecting, developing and registering new products that meet market needs and are aligned with Hikma's strategy to provide a continuous source of future growth.	– Invested in R&D with development of existing facilities, including a new R&D site for complex injectables in Warren, New Jersey – Developed R&D expertise to develop complex generic products – Established dedicated in-house laboratory and developed external partnerships to mitigate extractables and leachables for container closure systems risk profile in line with developing regulatory requirements – Bolstered pipeline through business development deals and established strategic partnerships to introduce new technologies in our regions – Recruited new talent (eg Head of Development in MENA) and developed internal capabilities (eg clinical expertise, injectable formulation)

Organisational development

Risk description	Management actions
Developing, maintaining and adapting organisational structures, management processes and controls, and talent pipeline to enable effective delivery by the business in the face of rapid and constant internal and external change.	– Advanced our Diversity, Equity and Inclusion programme with global and local initiatives – Launched global leadership development programmes to support our growth and the evolution of our culture – Strengthened teams with key talent appointed to fill strategic regional and global positions, including development of change management capability – Advanced our succession management process to improve our resilience in key positions – Globalised our talent acquisition process – Continued to create flexible working environments in response to COVID-19 challenges to support our employees and their families – Continued to drive standardisation of HR processes through Group-wide human capital management system – Continued to deploy enhanced learning materials to support employees through the organisation-wide learning management system

Reputation

Risk description	Management actions
Building and maintaining trusted and successful partnerships with our stakeholders relies on developing and sustaining our reputation as one of our most valuable assets.	– Internal and external monitoring and management of issues that may impact reputation – External communications initiatives – Investor and analyst engagement activities – Established working group to integrate environment and climate-related matters into the business – Conducted financial impact analysis of climate-related risks and opportunities (see page 51) – Developed comprehensive Acting Responsibly framework (see pages 37–49) – Established and developed strategic industry and community partnerships – Deployed internal communication programmes to support employee engagement

Ethics and compliance

Risk description	Management actions
Maintaining a culture underpinned by ethical decision making, with appropriate internal controls to ensure staff and third parties comply with our Code of Conduct, associated policies and procedures, as well as all applicable legislation.	– Updated Code of Conduct and various Corporate Compliance policies, including Conflict of interest, Speak Up, Third party due diligence, and Non-retaliation – Strengthened Compliance leadership team, including US Compliance Officer role – Active participation in international anti-corruption initiatives, including the Partnering Against Corruption Initiative (PACI) and the Business 20 Anti-Corruption Working Group (see page 48)

Information and cyber security, technology and infrastructure

Risk description	Management actions
Ensuring the integrity, confidentiality, availability and resilience of data, securing information stored and/or processed internally or externally from cyber and non-cyber threats, maintaining and developing technology systems that enable business processes, and ensuring infrastructure supports the organisation effectively.	– Strengthened IT leadership team and rolled out new operating model – Continual assessment and enhancement of cyber controls to support business strategy and changing threat landscape – Initiated a strategic IT continuity and disaster recovery programme to validate resilience – Developed management of Segregation of Duty structure for Financial systems in line with business requirements – Launched implementation of enhanced Global QMS to mitigate legacy application risk

Legal, regulatory and intellectual property

Risk description	Management actions
Complying with laws and regulations, and their application. Managing litigation, governmental investigations, sanctions, contractual terms and conditions and adapting to their changes while preserving shareholder value, business integrity and reputation.	– Continuous assessment of developments in legal and regulatory frameworks and impact on the organisation – Continued to manage complex litigation activity related to the manufacture, sale and distribution of opioid products – Developed and updated policies and procedures in response to changes in the risks facing the Group, including the protection and security of personal data, the registration and maintenance of IP assets, and compliance with economic sanctions, export controls and trade restrictions – Provided oversight on pricing committees assessing price increase to ensure thorough assessment of business needs – Implemented controls and procedures to address risk of IP litigation in jurisdictions where Hikma markets its products – Internal communication and training to raise awareness, ensure understanding and build a compliance culture across the organisation – Ongoing assessment and monitoring of general litigation activity in the US pharmaceutical environment – Engaged external counsel for independent specialist advice

Principal risks and uncertainties continued

Inorganic growth

Risk description	Management actions
Identifying, accurately pricing and realising expected benefits from acquisitions or divestments, licensing, or other business development activities.	– Maintained a healthy pipeline of opportunities to achieve Hikma growth strategy – Entered the US biosimilar market via licensing deals with Gedeon Richter and Bio-Thera – Aligned business development practices across the businesses – Extensive due diligence of each acquisition in partnership with external support in order to strategically identify, value, and execute transactions – Extensive Board engagement to review major acquisitions proposed by the Executive Committee to ensure strategic alignment – Post-acquisition performance (financial and non-financial) monitored closely to ensure integration and delivery on business plan – Post-transaction reviews highlight opportunities to improve effectiveness of processes

Active pharmaceutical ingredient (API) and third-party risk management

Risk description	Management actions
Maintaining availability of supply, quality and competitiveness of API purchases and ensuring proper understanding and control of third-party risks.	– Maintained rigorous selection and qualification process for new API suppliers – Strong focus on building long-term supply contracts and strategic partnerships – Continued to secure API supply continuity for high-value products through qualification of alternate suppliers, stocking strategies and supply chain modelling – Strengthened alignment with R&D and commercial teams to support scale up of API requirements for product launches – Increased sourcing capabilities and presence in key API markets to secure access to capacity and innovation – Third party due diligence process for onboarding and continuous monitoring of third-parties fully automated

Crisis response and business continuity

Risk description	Management actions
Preparedness, response, continuity and recovery from disruptive events, such as natural catastrophe, economic turmoil, operational issues, pandemic, political crisis, and regulatory intervention.	– Responded to disruptive events with values-led decision-making and prioritising the protection of the health and safety of our employees and patients – Embedded our crisis and continuity management (CCM) programme – Standardised business impact analysis and updated business continuity plans for all manufacturing sites – Aligned IT Continuity and Disaster Recovery and CCM programmes – Continued crisis management training to employees across the organisation to develop our resilience capability – Established a CCM community of practice to develop expertise across the Hikma network

Product quality and safety

Risk description	Management actions
Maintaining compliance with current Good Practices for Manufacturing (cGMP), Laboratory (cGLP), Compounding (cGCP), Distribution (cGDP) and Pharmacovigilance (cGVP) by staff, and ensuring compliance is maintained by all relevant third parties involved in these processes.	– Hikma Quality Council provides oversight and shares best practice across the Group – Quality and safety culture driven throughout the organisation by global initiatives and regularly reinforced by communication from senior executives – Facilities maintained as inspection-ready for assessment by relevant regulators – Continuously improved documented procedures and conducted regular staff training – Oversaw cGMP compliance of third parties supplying APIs, raw materials, packaging components and other services – Maintained environment and health certifications and drove continuous improvements – Continuous monitoring of the safety of products to detect any change to risk-benefit – Global pharmacovigilance programme in place supported by globalised systems – Strengthened teams to respond to changing PV requirements, particularly in MENA – Upgraded global product portfolio system to improve access to accurate and timely product information

Financial control and reporting

Risk description	Management actions
Effectively managing income, expenditure, assets and liabilities, liquidity, exchange rates, tax uncertainty, debtor and associated activities, and in reporting accurately, in a timely manner and in compliance with statutory requirements and accounting standards.	– Strengthened leadership team with key appointments, including US CFO, MENA Finance Director, and Head of Financial Compliance – Initiated source to pay transformation project to digitise source to contract and procure to pay processes – Mitigated segregation of duty risks with roll out of access control module and standardised authority matrix – Introduced data mining methods to enhance financial compliance monitoring activities – Automated additional finance processes, including Order to cash, Making Tax Digital

Severe but plausible downside risk scenarios are used to test the viability of the Group

Going concern and longer-term viability

In accordance with the UK Corporate Governance Code provisions 4.28–31 and other regulatory disclosure requirements, Going concern and longer-term viability assessments are provided.

Assessment of position and prospects
The Group's current and forecast financial positions are used to assess the going concern position and longer-term viability.

The position and prospects of the Group are assessed at Executive Committee meetings and at the end of the financial year. The assessments consider strategic and operational updates, principal and emerging risks, financial reporting and forecasting from the Chief Financial Officer, and through the development of a business plan. The business plan takes into account our current position, specific risks and uncertainties facing the business and known changes to our organisation and business model.

The Executive Committee assesses the future strategic positioning of Hikma as a company in the context of the changing macroeconomic and healthcare environment. Aspects of this analysis are shown in 'Global context' and 'Key trends' (see pages 18–19).

These various assessments are presented to the Audit Committee and Board of Directors for independent scrutiny of management's assumptions and modelling approach. The Board also receives regular updates on operational, strategic and financial matters from executives.

Financial position
The going concern and longer-term viability assessments are based on the financial position (as at 31 December 2021):

- net cash flow from operating activities was $638 million
- overall net debt was $420 million (0.6 times core EBITDA)
- available borrowing capacity is $1,086 million of committed undrawn long-term (see Note 28 of the Group consolidated financial statements on page 160). These facilities are well-diversified across the subsidiaries of the Group and are with a number of financial institutions

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.

Future prospects
The Group's base case forecasts take into account reasonable possible changes in trading performance, including those that may arise related to the COVID-19 pandemic, facility renewal sensitivities, and maturities of long-term debt.

Assumptions
Financial modelling for the business plan and the going concern and viability assessments is subject to assumptions related to:

- launch and commercialisation of new products
- market share and product demand rates
- maintenance of certain product prices
- political and social stability
- ability to refinance existing debt on similar terms
- ability to increase operational efficiency and reduce central costs
- effective tax rate being within the current guidance range

Going concern

For the purposes of assessing the going concern position the base case and a forecast including severe but plausible downside risks were analysed over the 18-month period from the date of signing the financial statements.

The analysis shows that Hikma is well-placed to manage its business and financial risks successfully despite current uncertainties and confirms that the going concern basis should be used in preparing the financial statements.

1. Fitch, Moody's and S&P or any of their affiliates or successors.

Longer-term viability

Viability period
The longer-term viability of the Group is assessed for a period longer than for the going concern analysis. The longer-term viability assessment was conducted for a period of three years, ending on 31 December 2024. This is the timeframe for acquisitions and business development opportunities to become integrated into our business, and for pipeline products to contribute as marketed products. Our forecasts are more accurate in the near term than in the long term and this limitation also applies to our viability assessments.

Stress testing, modelling and sensitivity analysis
Management developed severe but plausible multi-event risk scenarios that could impact the business adversely.

The Group's strategic objectives, principal risks (PR), assessments of longer-term emerging risks (ER), management input, real-world examples and the financial modelling assumptions listed above were used to design the scenarios. Realistic but extremely severe adjustments were further applied for sensitivity analysis.

The following hypothetical severe but plausible multi-event risk scenarios were assessed.

Longer-term viability scenarios
- **Scenario 1:** Industry dynamics (PR): Significant adverse changes to the pricing environment including price erosion over and above business plan assumptions were considered in addition to currency devaluation effects for various MENA markets
- **Scenario 2:** Product pipeline (PR): Significant and extensive delays to strategic product launches were assessed, in particular for complex and specialty products
- **Scenario 3:** Ethics and compliance (PR): The implications of a systemic failure of the corporate compliance programme leading to a regulator investigation were explored, including reputational impact, fines and legal fees, loss of sales, remediation expenses, and additional compliance costs
- **Scenario 4:** Product quality and safety (PR): A prolonged regulator-imposed restriction of a major US FDA-inspected manufacturing plant was modelled factoring in loss of sales, remediation expenses, as well as reduction to operating costs
- **Scenario 5:** Crisis response and business continuity (PR): Escalation and development of situations of political and social instability in MENA markets were assessed with loss of sales recognised
- **Scenario 6:** API and third-party risk management (PR): Significant disruptions to our raw and packaging materials supply chain were modelled, as well as increased import tariffs and global inflationary pressures

Our assessments show that Hikma is resilient to downside risk scenarios

- **Scenario 7:** Climate change (ER): Disruption through extreme weather events was assessed with storms and flooding events impacting certain facilities resulting in property damage and business interruption (see also our disclosures related to climate change on pages 50–52)
- **Scenario 8:** Information and cyber security, technology and infrastructure (PR): Cyber attacks impacting endpoints and ERP systems were modelled with potential loss of sales, general business interruption, and response and remediation costs

Longer-term viability analysis
The consequences of each of these severe but plausible multi-event risk scenarios were modelled independently over the forecast period and the impacts on EBITDA, ability to meet our debt obligations, and cash flow were determined.

The assessment shows that although the scenarios are severe they do not threaten the viability of Hikma. Headroom was comfortably maintained throughout the viability period for each of the multi-event risk scenarios.

The assessment and analysis did not rely on management actions that could be taken in the circumstances to reduce the impact and consequences of the risk events. Such actions, the ongoing implementation of the ERM programme, and investment in infrastructure and change initiatives are anticipated to continue to enhance organisational resilience and support longer-term viability.

The outcome of these various quantitative and qualitative assessments leads management to believe that Hikma is resilient to downside risk scenarios. This is largely as a result of our financial position (in particular our strong balance sheet and low levels of debt) and is supported by the fact that our business is well-diversified through geographic spread, product diversity, and large customer and supplier base. Further details are provided in the 'CEO's strategic review' (pages 6–9), 'Our markets' (pages 18–19), and 'Our business model' (pages 20–21).

Compliance

Non-financial disclosures

The table below summarises our position on matters relevant to the Non-Financial Reporting Directive, in line with the requirements of Sections 414CA and 414CB of the Companies Act 2006. All references made are to publicly accessible information.

	Summary	Further information and policies
Our business model	– Our diversified business model allows us to respond to the many opportunities and risks we face, while delivering value for our stakeholders	– Our business model, pages 20–21
Principal risks	– Our risk management framework is designed to ensure we take a comprehensive view of risk. This includes financial and non-financial risks that may impact our business and stakeholders	– Risk management, pages 54–63
Environmental matters	– We are committed to making our operations more energy efficient and environmentally responsible – We are improving the way we monitor our impacts, pursuing projects that reduce our footprint – We have put in place a target to reduce our Scope 1 and 2 GHG emissions by 25% by 2030, using a 2020 baseline – We are aligning our internal processes and our public disclosures are consistent with the Task Force on Climate-related Financial Disclosures (TCFD recommendations – Board-level oversight of environmental sustainability – Environmental matters are incorporated in our risk management framework	– Protecting the environment, pages 44–47 – GHG emissions reduction target, page 45 – Climate-related risks and opportunities and their impact, pages 50–52
Employees	– Our employees have always been at the heart of everything we do. As the driving force behind Hikma's growth and success, our people are our most valuable asset – We are committed to investing in the development of our workforce and in protecting their health and safety. We have c.8,700 employees across the US, MENA, Europe and ROW	– Stakeholder engagement: Employees, page 13 – Empowering our people, pages 42–43 – Code of Conduct[1] – Upholding ethical standards and acting with integrity, pages 48–49 – Group Environmental, Health and Safety Policy Statement[1] – Principal risk: Organisational development, page 58
Social matters	– In all of our markets, we work to meet social needs locally and improve lives. We have developed programmes in key areas to address social challenges: • providing better health • supporting education • helping people in need – Where our activities relate to other social matters, we seek to understand the perspective of all stakeholders, determine our role and make clear our position based on our values and purpose	– Stakeholder engagement, pages 12–17 – Advancing health and wellbeing, pages 38–41 – Addressing drug shortages in the US[1] – Animal testing position[1] – Principal risk: Reputation, page 59
Respect for human rights	– We respect and uphold the principles of the Universal Declaration of Human Rights both within Hikma and across our value chain – We object in the strongest possible terms to the use of any of our products for the purpose of capital punishment	– Upholding ethical standards and acting with integrity, pages 48–49 – Modern slavery act policy statement[1] – Use of products in capital punishment[1] – Principal risk: Reputation, page 59
Anti-bribery and corruption	– Our Compliance, Responsibility and Ethics Committee (CREC) leads our efforts to strengthen anti-bribery and corruption (ABC) policies and manage associated risks – As a publicly-listed company on the London Stock Exchange (LSE), we abide by the regulations of the UK Listing Authority. We operate in compliance with the UK Bribery Act 2010, the Foreign Corrupt Practices Act (FCPA) as well as local laws and regulations	– Upholding ethical standards and acting with integrity, pages 48–49 – Code of Conduct[1] – Principal risk: Ethics and compliance, page 59 – Compliance, Responsibility and Ethics Committee report, pages 87–88
Non-financial KPIs	– We monitor the position, performance and impact of Hikma across a wide range of financial and non-financial KPIs. Non-financial KPIs are used to measure progress towards our strategic priorities (pages 22–23), our exposure to risks (pages 58-61), and are in place in other areas throughout the organisation as part of Hikma's long-term sustainable growth strategy and our commitment to helping people and improving the communities in which we operate	– Voluntary and involuntary turnover, page 42 – GHG emissions reduction target, page 45 – Minimising our impact on the planet, pages 44–47 – Employees enablement and engagement, page 23 – Audit Committee report, pages 83–86 – Compliance, Responsibility and Ethics Committee report, pages 87–88

The Strategic report was approved by the Board of Directors and signed on its behalf by:

Sigurdur Olafsson
Chief Executive Officer

23 February 2022

1. Our public policies, codes and statements are available on **www.hikma.com**

Corporate governance

During the year, we reviewed our governance approach, made enhancements, and confirmed the strength of our existing arrangements.

In this section

Chair overview

Said Darwazah
Executive Chairman

Dear Shareholders

The past year has involved steady progress in the development of the Board and the governance of our organisation, including undertaking a full board evaluation process with an external expert. The process ensured that the Board assessed and challenged its approach to ensure we obtain the maximum value from our Board meetings. We have made several enhancements as a result, and I am pleased to report that our overall approach to governance continues to be effective.

Board practices

The continuation of the COVID-19 pandemic has resulted in further development of our Board practices. Whilst the Board continues to operate effectively in a virtual environment, we managed to bring the members together for two meetings in the second half of the year. We have found that in person meetings have significant benefits in terms of social cohesion, innovation and development. At the same time, virtual meetings have significant benefits in terms of time efficiency, availability and focus. As we move forward, the Board will operate in a hybrid environment bringing together the benefits of both of these approaches.

Board and Committee composition

Over the last few years we have brought several new Directors onto the Board, said goodbye to Independent Directors of longer tenure, and transitioned the Chairs of the Audit Committee and Nomination and Governance Committee. Accordingly, during 2021, we have not made any changes to our Board.

Dr. Pamela Kirby, our chair of the Remuneration Committee, has decided not to seek re-election at the Annual General Meeting. I would like to thank Pam for her dedicated and thoughtful leadership of the Committee. Nina Henderson has kindly agreed to lead the Committee going forward.

As we move into 2022, we will be looking to take steps to refresh the Board and prepare for further succession. During this exercise, we will be cognisant of our gender diversity target (see page 81 for further details). As has been our practice for several years, we desire for new Directors to have time to understand the culture, history, and operations of Hikma before undertaking additional responsibilities.

Culture and strategy

The Board reviewed and approved management's plans for several strategic initiatives during the year, including the expansion of our pipeline through investments in biosimilars and the acquisition of Custopharm. We further approved management's proposal to expand the capacity of our specialist injectables business. In the second half of 2021, we conducted our annual strategic review, in which we confirmed our progress and assessed several new opportunities. At the end of the year, following two years of oversight and development by the Board, we launched our sterile injectable compounding business in the US, which will bring the high-quality systems of a major pharmaceutical manufacturer to the niche compounding market. Overall, the Board is confident that the Group is well positioned to continue to deliver on our pipeline and improve patients' access to high-quality, affordable medicines.

During 2020, following engagement with our colleagues and a thorough review of our culture by the Board, we introduced a new set of corporate values which focused on being caring, innovative, and collaborative. These values build on my father's vision of Hikma as a company with high ethical standards, where our people thrive in a supportive environment. The majority of the Board met and worked with my father, and so have first-hand experience of how he wanted to develop our culture. In the Boardroom, we are reminded of our values regularly and are guided by them when making decisions such as acquiring Custopharm (being innovative), supporting our team in Lebanon during the country's challenging period (caring), and the nature of relations between the Board and the Executive Committee (collaborative). During 2021, the Executive team undertook significant efforts to promote these values throughout the organisation. The team and the Chief Executive Officer presented to the Board updates on progress and feedback from colleagues throughout the year. Further details are available on page 8.

Strong governance and strategy

ESG

Early in 2021, we determined that our Board of Directors would have overarching oversight of our ESG strategy including environmental aspects and TCFD strategy and reporting. This builds upon the work of our board committees that have responsibility for certain elements of our ESG work streams. The Chief Executive Officer has fundamentally reviewed and enhanced the Group's ESG strategy with a particular emphasis on the Group's emissions and impact on the environment. Further information is available in our new and enhanced disclosures on pages 36 to 52.

Nina Henderson is our independent Board member who helps ensure that employee perspectives are considered when undertaking Board and Committee business and, outside of our Executive Directors, ensuring that the Board is visible amongst our colleagues. The engagement programme has been sponsored internally by the Chief Executive Officer and has been developed to ensure that we comply with social distancing requirements.

This year's activities included participation in:

- a site visit to the Columbus facility and meetings with employees
- the 2021 Global Leadership Conference which included c.160 of the Group's leaders
- Chief Executive Officer virtual briefings to all colleagues

Nina formally reports to the Board on her findings at each meeting as we consider formal business, such as during the grading structure review, employee engagement survey and during remuneration considerations.

Stakeholders

The Board undertakes significant efforts to understand and take account of the needs and perspectives of our customers, suppliers, employees, investors and the communities in which we operate. Further details are available on pages 12 to 17. If there are any matters that you wish to discuss, please do not hesitate to contact me.

Said Darwazah
Executive Chairman

Corporate governance
At a glance

Highlights 2021

- Undertook a full interview-based Board evaluation with Independent Audit
- Developed the medium-term succession plan for Non-Executive Directors and Executive management
- Embedded and strengthened the Board and Committee changes made in 2020
- Moved to a hybrid meeting approach, gaining the benefits of both in-person and virtual arrangements

Priorities 2022

- Seeking to increase independent representation on the Board
- Consider succession for the Committee chairs and additional responsibilities
- Making further progress towards achieving our gender diversity target
- Implementing changes to our governance structure in an orderly and considered manner

Experience

The percentage of the Board with direct experience in the following areas:

Pharmaceutical	100%
Manufacturing	80%
Sales	80%
Commercial	90%
Regulatory and political	100%
Listed environment	100%
Finance	100%
Strategy and risk	100%
Business ethics and integrity	80%
Human resources	90%
Governance	100%

Geographical experience

Global	100%
US	90%
MENA	50%
Europe	90%
UK	70%

Country of origin

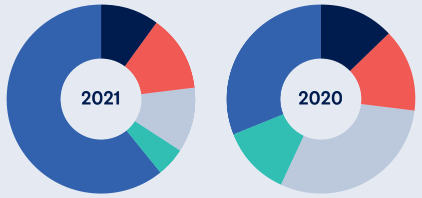
Attendance

Directors	Meetings attended (9 scheduled and 2 unscheduled)	%
Said Darwazah	11/11	100%
Siggi Olafsson	11/11	100%
Mazen Darwazah	11/11	100%
Pat Butler[1]	10/11	91%
Ali Al-Husry	11/11	100%
Dr Pamela Kirby	11/11	100%
John Castellani	11/11	100%
Nina Henderson	11/11	100%
Cynthia Flowers	11/11	100%
Douglas Hurt	11/11	100%

1. Pat Butler was unable to attend one meeting called at very short notice. A time had been chosen to achieve maximum attendance and, unfortunately, it meant at least one Director would not be available.

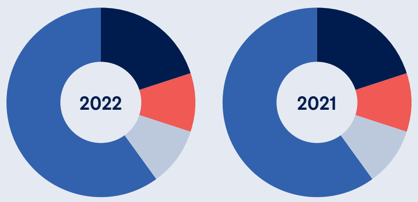
Time

	2021	2020
Corporate governance	**10%**	13%
Financial performance	**13%**	14%
Performance and operations	**11%**	30%
Risk	**5%**	12%
Strategy and acquisitions	**60%**	31%



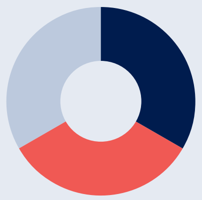
Composition

	February 2022	February 2021
Executive Chairman and Chief Executive Officer	20%	20%
Other Executive Directors	10%	10%
Non-Independent NED	10%	10%
Independent NED	60%	60%



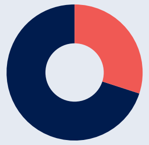
Independent Director tenure (as at 23 February 2022)

	Number	%
0–3 years	2	33%
4–6 years	2	33%
7–9 years	2	33%

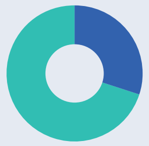


Diversity (as at 31 December 2021)

Board

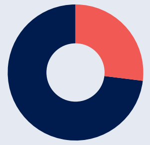


Women	3 (30%)
Men	7 (70%)

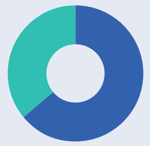


Minority Ethnic[1]	3 (30%)
White	7 (70%)

Executive Committee

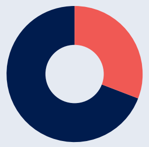


Women	3 (27%)
Men	8 (73%)

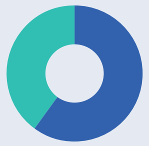


Minority Ethnic[1]	7 (64%)
White	4 (36%)

Executive Committee reports[2]

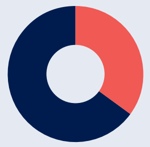


Women	22 (31%)
Men	50 (69%)



Minority Ethnic[1,3]	43 (60%)
White	29 (40%)

Group



Women	2,978 (35%)
Men	5,613 (65%)

1. Minority Ethnic data relates to colleagues who identify with one of the relevant categories under the Parker Review data collection exercise
2. People reporting to members of the Executive Committee
3. Data from Hikma's US operations only

Leadership
Board of Directors

SAID DARWAZAH, 64
EXECUTIVE CHAIRMAN

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

Board experience:

Experience: Said served as Chief Executive Officer from July 2007 to February 2018 and has served as Chair since May 2014. Said has over 40 years of experience in extensive leadership roles at Hikma.

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

Other appointments: Chairman of the Queen Rania Foundation and Chairman of Royal Jordanian Airlines. Vice Chairman of Capital Bank, Jordan. Board Member of INSEAD, and Dash Ventures Limited.

PATRICK BUTLER, 61
SENIOR INDEPENDENT DIRECTOR

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

Board experience:

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

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

Other appointments: Chairman of Aldermore Group PLC and Mischon de Raya PLC. Director of The Ardonagh Group Limited and Res Media Limited. Trustee of the Resolution Foundation.

SIGGI OLAFSSON, 53
CHIEF EXECUTIVE OFFICER

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

Board experience:

Experience: Siggi has significantly enhanced the leadership and strategy of the Group since joining as Chief Executive Officer in 2018. Siggi has a wealth of international experience in the pharmaceutical industry, having held senior roles with Actavis Pharma Inc., Pfizer Inc. and Omega Farma. Siggi served as President and CEO of Global Generic Medicines at Teva Pharmaceuticals.

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

Other appointments: None.

ALI AL-HUSRY, 64
NON-EXECUTIVE DIRECTOR

Appointed: 14 October 2005 | **Joined Hikma:** 1981
Nationality: Jordanian

Board experience:

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

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

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

MAZEN DARWAZAH, 63
EXECUTIVE VICE CHAIRMAN, PRESIDENT OF MENA

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

Board experience:

Experience: Mazen has led and expanded our business in MENA region and is a Group-level strategic ambassador in his role as Vice Chairman. Since listing, he has Group level responsibility in his role as Executive Vice Chairman and executive responsibility for leading Hikma's unique MENA business.

Qualifications: BA in Business Administration from the Lebanese American University, Advanced Management Plan from INSEAD.

Other appointments: Senator in the Jordanian Senate. Trustee of Birzeit University and King's Academy. Member of the HM King Abdullah Economic Policy Council.

DR PAMELA KIRBY, 68
INDEPENDENT NON-EXECUTIVE DIRECTOR

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

Board experience:

Experience: Dr Kirby was Chief Executive Officer of Quintiles Transnational Corp, and held senior executive positions at F Hoffmann-La Roche and AstraZeneca. Previously, Dr Kirby chaired Scynexis, was Senior Independent Director of Informa and held non-executive positions with Smith & Nephew and Novo Nordisk.

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

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

Find detailed Directors' biographies at:
www.hikma.com/about/leadership/

JOHN CASTELLANI, 71
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 March 2016 | **Joined Hikma:** 2016
Nationality: American

Board experience:

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

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

Other appointments: Vice Chairman of the Johns Hopkins Medicine National Capital Region Executive Governance Committee. Director of 5th Port. Trustee of The Johns Hopkins Medical System Sibley Memorial Hospital, Washington, DC. Member of the Advisory Board of RSR Partners.

CYNTHIA FLOWERS, 62
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 June 2019 | **Joined Hikma:** 2019
Nationality: American

Board experience:

Experience: Cynthia was President and CEO of the North American divisions of the global pharmaceutical companies Ipsen and Eisai, and also held leadership positions at Amgen and Johnson & Johnson. Cynthia is a non-executive director of Caladrius Biosciences Inc. and G1 Therapeutics Inc., where she chairs the Compensation Committee.

Qualifications: Cynthia holds a BSN from the University of Delaware and Executive MBA from Wharton School at the University of Pennsylvania.

Other appointments: Non-executive Director of Caladrius Biosciences Inc. and G1 Therapeutics Inc., where she chairs the Compensation Committee. Member of an angel investment group associated with the University of North Carolina.

NINA HENDERSON, 71
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 October 2016 | **Joined Hikma:** 2016
Nationality: American

Board experience:

Experience: Nina assumed Board-level responsibility for employee engagement in January 2019. Nina was Corporate VP of Bestfoods and President of Bestfoods Grocery prior to its acquisition by Unilever. During a 30-year career with Bestfoods, and its predecessor company CPC International, she held a wide variety of Global and North American executive general management and marketing positions. Nina has served as a director of Royal Dutch Shell, AXA Financial, The Equitable Companies, DelMonte, Pactiv and Walter Energy.

Qualifications: Honours graduate and BSc from Drexel University.

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

DOUGLAS HURT, 65
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 1 May 2020 | **Joined Hikma:** 2020
Nationality: British

Board experience:

Experience: Douglas was the Finance Director of IMI PLC. Prior to this, he held a number of senior finance and general management positions at GlaxoSmithKline PLC, previously having worked at Price Waterhouse. His career has included several years working in the US as a Chief Financial Officer and significant experience in European businesses as an Operational and Regional Managing Director.

Qualifications: Chartered Accountant, MA (Hons) in Economics from Cambridge University.

Other appointments: Non-executive Director and Chair of the Audit Committee of Vesuvius PLC, Countryside Partnerships PLC and British Standards Institution. Senior independent director of Countryside and Vesuvius.

Committees

- A Audit Committee
- C Compliance, Responsibility and Ethics Committee
- N Nomination and Governance Committee
- R Remuneration Committee
- Chair

Board experience

- Business ethics and integrity
- Commercial
- Finance
- Governance
- Human resources
- Listed environment
- Manufacturing
- Pharmaceutical
- Regulatory and political
- Sales
- Strategy and risk

PETER SPEIRS
COMPANY SECRETARY

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

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

Qualifications: Fellow of the Chartered Governance Institute. Law degree from the University of East Anglia.

Leadership
Executive Committee

SIGGI OLAFSSON
CHIEF EXECUTIVE OFFICER

Joined: 2018
Nationality: Icelandic

For further biographical details please see page 70.

MAZEN DARWAZAH
EXECUTIVE VICE CHAIRMAN, PRESIDENT OF MENA

Joined: 1985
Nationality: Jordanian

For further biographical details please see page 70.

KHALID NABILSI
CHIEF FINANCIAL OFFICER

Joined: 2001
Nationality: Jordanian

Role: Khalid is responsible for Group finance, including reporting and capital management. Khalid has held several financial positions during 21 years with Hikma, including VP Finance.

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

HUSSEIN ARKHAGHA
CHIEF COUNSEL

Joined: 2001
Nationality: Jordanian

Role: Hussein established the global legal department and sets its strategic direction. Prior to his appointment as Chief Counsel, he held several positions at Hikma, including Head Legal/MENA, Head of Shareholders' Department and Head of Tax.

Qualifications: Hussein is a qualified lawyer in Jordan and holds a Master's degree in International Business Law from the University of Manchester, under the UK Chevening Scholarship Programme.

SHAHIN FESHARAKI
CHIEF SCIENTIFIC OFFICER

Joined: 2019
Nationality: American

Role: Shahin is responsible for all research and development activities in Hikma and has a strategic responsibility for enhancing Hikma's product pipeline.

Qualifications: PhD in Pharmaceutical Technology from the University of Mumbai, and BSc in Pharmacy and MS in Experimental Pharmacology from Pune University.

BRIAN HOFFMANN
PRESIDENT, GENERICS

Joined: 2009
Nationality: American

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

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

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

BASSAM KANAAN
EXECUTIVE VICE PRESIDENT, CORPORATE DEVELOPMENT AND M&A

Joined: 2001
Nationality: Jordanian

Role: Bassam has Group level responsibility for strategic development, acquisitions and alliances. Bassam has held several executive positions during 21 years with Hikma, including Chief Financial Officer.

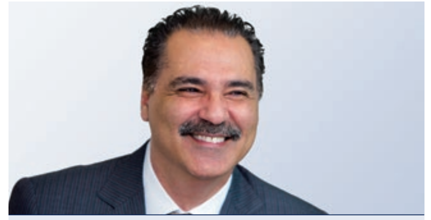
Qualifications: US Certified Public Accountant and Chartered Financial Analyst. BA from Claremont McKenna. International Executive MBA from Kellogg/Recanati Schools of Management.

MAJDA LABADI
EXECUTIVE VICE PRESIDENT, ORGANISATIONAL DEVELOPMENT

Joined: 1985
Nationality: Jordanian

Role: Majda has Group level responsibility for human resources. Majda has held several executive positions during 37 years with Hikma, including VP Injectables and VP MENA Operations.

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



RIAD MISHLAWI
PRESIDENT, INJECTABLES

Joined: 1990
Nationality: Lebanese

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

Qualifications: BSc in Engineering and a MS in Engineering and Management from George Washington University.

HENRIETTE NIELSEN
EXECUTIVE VICE PRESIDENT, BUSINESS OPERATIONS

Joined: 2018
Nationality: Danish

Role: Henriette is responsible for the Business Operations division which includes Risk, IT, ESG, and Digital and Business Improvement. In addition, Henriette assumes the overall responsibility of Hikma Ventures, Hikma's venture capital fund.

Qualifications: Law Degree from the University of Copenhagen. Master of Laws from the University of Edinburgh.

SUSAN RINGDAL
EXECUTIVE VICE PRESIDENT, STRATEGIC PLANNING AND GLOBAL AFFAIRS

Joined: 2005
Nationality: American

Role: Susan is responsible for strategic planning, investor relations, communications, corporate affairs and business intelligence. Prior to joining Hikma, Susan worked for Alliance Unichem and Morgan Stanley.

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

Structure
UK Governance Code

Code Compliance

The Board is committed to the standards of corporate governance set out in the UK Corporate Governance Code (the UK Code) published in July 2018 and the Markets Law of the Dubai Financial Services Authority (the Markets Law). The report on pages 67 to 114 describes how the Board has applied the Main Principles of the UK Code and Markets Law throughout the year ended 31 December 2021. The UK Code is available at www.frc.org.uk. The Board considers that this Annual Report provides the information shareholders need to evaluate how we have complied with our current obligations under the UK Code and Markets Law.

The Board acknowledges that Said Darwazah holding the position of Chairman and Chief Executive Officer until February 2018 and, since that point, Executive Chairman, requires explanation under the UK Code. Throughout the year and up until the date of this report, Hikma was in compliance with the UK Code other than in respect of the Executive Chairman position, the degree of direct engagement with the workforce regarding executive remuneration (which is discussed in the Remuneration report on page 90), and the Chief Executive Officer's pension contribution level being slightly less than 5% above the general workforce (which is discussed in the Remuneration report on page 90). The Board considers that the areas of non-compliance are likely to continue for the medium-term. Should shareholders require any further information relating to these matters, questions may be directed to the Company Secretary.

Chair

Role
The Executive Chairman leads the Board of Directors of the Company. The Executive Chairman guides, oversees, and engages with the Chief Executive Officer in setting and delivering the strategic vision for the Company and optimising the Company's long-term potential.

Rationale
The Board acknowledges that Said Darwazah's position as Executive Chairman, having previously served as Chief Executive Officer, and his tenure as a Director are departures from the UK Code.

The Executive Chairman role was created in February 2018, following the appointment of Siggi Olafsson as Chief Executive Officer. Previously, Said Darwazah was the Chairman and Chief Executive Officer. The change of roles and appointment of a Chief Executive Officer has caused a reduction in Said's executive responsibilities, whilst still retaining his strategic input. The Board considers that the transfer of responsibilities from Said to Siggi has been very successful and that the Chief Executive Officer has been fully empowered by the Executive Chairman. The Board considers it is important to retain corporate memory, important relationships and the family culture of the organisation. Therefore, it is valuable to retain Said Darwazah's services in a strategic capacity.

The Board consulted shareholders prior to Said's appointment as Chairman and Chief Executive Officer in May 2014 and following the change to the position of Executive Chairman in February 2018. The Independent Non-Executive Directors met as a group twice during 2021 to review the Board structure and concluded that the Executive Chairman role should continue.

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

- **Continuity of strategy:** Said Darwazah has been a driving force behind the strategic success of the business since 2007 and the Board believes that it is important for the continued success of the Group that he remains in a strategic role
- **Executive Chairman's role:** the Executive Chairman position is highly visible inside and outside Hikma, acting as an ambassador with business partners and adviser to the organisation
- **Business partners:** a significant number of Hikma's key political and commercial relationships across the MENA region are built on the long-term trust and respect for the Darwazah family where the role of the Executive Chairman remains key

The Board continues to operate the following enhanced controls:

- **Governance structure review:** the Independent Directors meet at least bi-annually in a private session chaired by the Senior Independent Director. This meeting includes consideration of the appropriateness of the governance structure, the division of responsibilities between the Executive Chairman and the Chief Executive Officer and safeguards for shareholders
- **Committee Chair roles:** the Chairs of the Board Committees and the Director responsible for employee engagement, undertake a significant amount of work in the discharge of their responsibilities
- **Transparency and engagement:** Hikma has always had the highest regard for shareholders, with several of the original investors from before listing still investing and supporting Hikma today. Over the c.16 years since flotation Hikma has maintained the highest standards of shareholder engagement, which reflects the importance placed in maintaining strong investor relations and governance
- **Senior Independent Director role:** the Senior Independent Director has joint responsibility, with the Executive Chairman, for setting the Board agenda, agreeing action points and the minutes of the meetings

Executive

Chief Executive Officer
The members of Hikma's Executive Committee report to the Chief Executive Officer, who reports to the Executive Chairman. The Chief Executive Officer chairs the Executive Committee, which develops strategic initiatives and ensures the delivery of the approved strategy and performance of the Company. The Chief Executive Officer makes strategic proposals and reports on operational developments to the Board.

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

Non-Executive Directors

Independence
The Board reviewed and considered the independence of each Non-Executive Director during the year as part of the annual corporate governance review, which included consideration of progressive refreshment of the Board. The Board considers Pat Butler, Dr Pamela Kirby, John Castellani, Nina Henderson, Cynthia Flowers and Douglas Hurt to be independent. These individuals provide extensive experience of international pharmaceutical, financial, corporate governance and regulatory matters and were not associated with Hikma prior to joining the Board.

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

Senior Independent Director
The Senior Independent Director responsibilities include:

- involvement in setting the Board agenda, action points and the minutes
- leading the Board in matters of Board composition, effectiveness and evaluation, particularly in relation to the performance of the Executive Chairman
- providing a communication channel between the Executive Chairman and Independent Directors
- leading the Independent Directors on their assessment of the appropriateness of the governance structure and safeguards for shareholders
- acting as an alternate point of contact for shareholders and maintaining contact with principal investors and representative bodies

Employee engagement
This Director-level role is responsible for ensuring, where appropriate, that employee perspectives are taken into account in the Board's decision-making processes.

Nina Henderson has undertaken the employee engagement role since January 2019 and further details on her activities during 2021 are included in the Chair's statement on page 67.

Company Secretary
The Company Secretary reports to the Executive Chairman and supports each Board member in the delivery of their duties and specific responsibilities.

The role profiles are reviewed regularly and detailed on the Hikma website at www.hikma.com/investors/corporate-governance/board-roles-and-responsibilities/

Applied Governance

The Board has a well developed and broad system of governance which includes detailed procedures that are set out in the Board Governance Manual, extensive Group Policies and a secure communications system. The Board has clearly established responsibilities in the matters reserved which ensures a regular cycle of work and that management are clear when additional oversight and approval is required.

The Executive Chairman works with the Chief Executive Officer and the Senior Independent Director to develop the priorities and agenda for the Board and its Committees, to agree action points and minutes arising from meetings, and formulate appropriate responses to governance matters such as succession, effectiveness and regulatory developments.

As the Chairman is active in the strategic leadership of the business, Hikma maintains a balance of independence through placing a greater emphasis on the role of the Senior Independent Director (SID). The SID is actively involved in the agenda setting process working together with the Chief Executive Officer and consulting with the Executive Chairman. The SID takes responsibility for working with the Company Secretary on matters around Board process and non-executive succession. Additionally, the SID works with the Executive Chairman to review and agree the action points and minutes arising from meetings, to ensure that meetings maintain focus on independent oversight, and to formulate appropriate responses to governance matters such as Board information, effectiveness and the Board's response to regulatory developments.

The Chief Executive Officer works with the Executive Chairman in matters such as strategy, addressing points raised by the Board and its Committees, developing plans for executive succession, and the Company's culture. The Chief Executive Officer engages with other Directors as required in the delivery of his role. The Chief Executive Officer facilitates and guides the Board's discussions on matters relating to business development, capital expenditure, operational performance, and organisational development.

The Board holds approximately nine scheduled meetings a year and also meets as required. The Board agenda comprises matters from the regular cycle of work (eg Annual Report, budgeting, results announcements and dividend), ad hoc matters arising from action points, the implementation of strategy (eg business development and acquisitions) and regulatory, risk, and operational developments. The Executive Chairman, Senior Independent Director and Chief Executive Officer work together to agree the agenda for meetings, the action points arising, and in leading Board meetings on different topics.

In the light of the suggestions contained in the 2021 report on the Board's effectiveness, during the year the Board introduced some changes to the way Board meetings work. Board meetings are now typically divided into three parts:

- The first part of the meeting is conducted without management present. The Executive Chairman provides an overview of the meeting business to be considered by the Board. The Chief Executive Officer outlines matters of importance in terms of the operational developments of the Group and the meeting business. The Executive Chairman and Senior Independent Director lead discussions regarding governance matters
- For the second part of the meeting, the Executive Committee members join to present subject areas for which they are responsible, to ensure wider awareness of matters of importance to the Group and to assist with their personal development and succession planning
- The final part of the meeting occurs without management, it provides the Board's Committees and Director responsible for employee engagement with an opportunity to report on their work and for Directors to privately discuss and consider matters arising from the second part of the meeting

The Company Secretary attends for the entirety of Board and Committee meetings to ensure that records are retained and advice is provided as required. The Company Secretary does not attend meetings of the Independent Directors or meetings between the Executive Chairman and the Independent Directors, which occur at least twice a year.

The Board receives regular reports at each meeting on cultural matters both from the Director responsible for employee engagement and the Chief Executive Officer. The Chief Executive Officer reports the results of the employee opinion survey on a bi-annual basis. Further information on the Group's activities that relate to culture is available on page 8.

Commitment and interests

The Nomination and Governance Committee considers the commitment of all Directors both in terms of dedication to the role and their time availability. In order to ensure an appropriate balance of skills and diversity across the Boardroom, the Committee has made accommodations to the Board calendar to maximise availability and has acknowledged that there are times when this may mean that full attendance may not be achieved. The Committee considers that Hikma gains more from high-quality Directors than it loses from occasional situations where full attendance cannot be achieved. Having reviewed commitment and attendance during the year, the Committee has concluded that all Directors are fully dedicated, commit an appropriate amount of time to their roles, and are readily available at short notice.

The Committee monitors the external appointments of Directors from both an availability and conflict of interest perspective, while noting that experiences with other organisations can enhance a Director's ability to perform the role. Directors must obtain prior approval before accepting additional external appointments. The Board and Nominations and Governance Committee consider that the Directors' external commitments do not negatively impact their ability to perform their roles and that any significant appointments have been explained in the Annual Report. The outside interests of Directors are detailed on pages 70 to 71.

Committees

The Board has appointed four Board Committees to assist with the delivery of the Board's responsibilities. The reports of those Committees are available on pages 78 to 110. The Chair of each Committee engages with stakeholders as is necessary in the conduct of the Committee's business. The Chairs are available to answer shareholders' questions at the AGM and by direct correspondence through the Company Secretary (cosec@hikma.com).

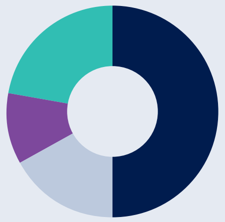
Structure
Committee overview

Nomination and Governance Committee

2021 highlights
- Undertook an externally assisted, interview and observation based Board evaluation
- Considered the key aspects of the medium-term succession plan for Non-Executive Directors
- Reviewed the new plan for executive succession and assessment of executive capabilities and development

2022 priorities
- Seek additional independent representation on the Board
- Seek to further enhance gender diversity at the Board
- Review the roles and responsibilities of Independent Directors including the chairing of Committees
- Further develop the plan for succession of Executive Directors
- Review Board structure and plan for succession of the Committee Chairs and additional responsibilities of Independent Directors

Allocation of time



Members and attendance

Member	Meetings	Attendance
Pat Butler (Chair)	3/3	100%
Mazen Darwazah	3/3	100%
Nina Henderson	3/3	100%
Cynthia Flowers	3/3	100%
Douglas Hurt	3/3	100%

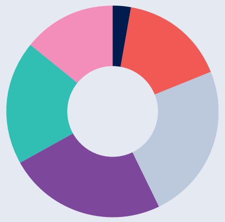
The full Committee report is on pages 80 to 82.

Audit Committee

2021 highlights
- Planned for the succession of the senior statutory auditor
- Continued to monitor developments arising from the internal audit programme
- Reviewed plans for managing distributable reserves
- Reviewed further enhancements to our risk programme

2022 priorities
- Induction of the new senior statutory auditor
- Monitoring and enhancing our risk and internal audit programmes
- Continuously improving our disclosures

Allocation of time



Members and attendance

Member	Meetings	Attendance
Douglas Hurt (Chair)	4/4	100%
Pat Butler	4/4	100%
Dr Pamela Kirby	4/4	100%
John Castellani	4/4	100%
Nina Henderson	4/4	100%
Cynthia Flowers	4/4	100%

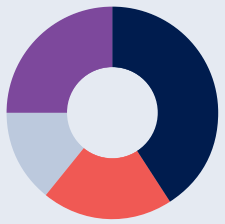
The full Committee report is on pages 83 to 86.

Compliance, Responsibility and Ethics Committee

2021 highlights
- Engaged with our Group-wide review of our environmental and CSR strategy
- Continued to monitor ABC compliance developments and our speak up programme
- Completed third-party due diligence process across remaining geographies
- Reviewed the Group's data protection arrangements following the Board's request that the Committee assume responsibility for this area
- Considered management's proposals to further enhance our cross-border trade procedures

2022 priorities
- Assist with the delivery of the ethical and social responsibility aspects of our ESG programme
- Continue to monitor our reporting lines and business integrity processes
- Review the delivery of process enhancements across our programmes

Allocation of time



Members and attendance

Member	Meetings	Attendance
John Castellani (Chair)	4/4	100%
Siggi Olafsson	4/4	100%
Mazen Darwazah	4/4	100%
Pat Butler[1]	3/4	75%
Dr Pamela Kirby	4/4	100%
Nina Henderson	4/4	100%
Douglas Hurt	4/4	100%

1. Pat Butler was unable attend the meeting due to a pre-arranged commitment.

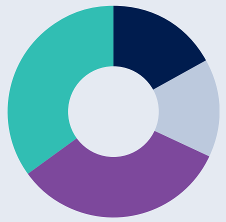
The full Committee report is on pages 87 to 88.

Remuneration Committee

2021 highlights
- Monitored progress against performance targets, including the milestones for the business plan
- Developed ESG performance targets for the CEO
- Continued to enhance the linkage between employees and executive compensation matters
- Benchmarked executive compensation including reviewing regional variations to structure

2022 priorities
- Review the remuneration policy and its alignment with the Group's strategy and business environment
- Monitor progress against the ESG targets for the Executive Directors
- Manage the transition to a new Committee chair

Allocation of time



Members and attendance

Member	Meetings	Attendance
Dr Pamela Kirby (Chair)	4/4	100%
Pat Butler	4/4	100%
John Castellani	4/4	100%
Nina Henderson	4/4	100%
Cynthia Flowers	4/4	100%
Douglas Hurt	4/4	100%

The full Committee report is on pages 89 to 110.

Please visit our website for more information on Committees: www.hikma.com/investors/corporate-governance/key-committees

Nomination and Governance Committee
Letter from the Chair

Patrick Butler
Chair, Nomination and Governance Committee and Senior Independent Director

Dear Shareholders

I am writing to you in my roles as the Senior Independent Director and Chair of the Nomination and Governance Committee (NGC). In these roles, I help steer the development of the Group's governance and succession arrangements.

Succession

The Committee oversees succession for both executives and Independent Directors. In terms of executives, the Committee is responsible for the Executive Directors and for ensuring that appropriate arrangements are in place for senior positions below Board level.

Executive
During 2021, the Board reviewed and updated the succession plan and talent development framework that seeks to ensure that we have arrangements to manage executive succession. The medium-term plans have been discussed and developed taking into account views from a wide range of stakeholders within Hikma. These plans were presented to and discussed by the whole Board.

In terms of succession for Executive Directors, the Committee has considered the potential for medium-term change, taking into account the assessment of internal talent, and has the necessary relationships with executive recruitment specialists. As a result, the Committee considers it is well positioned.

Independent
During 2019 and 2020 we welcomed two new directors and in late 2020 we transitioned the Senior Independent Director role and chairs of the Audit Committee and NGC. These changes have allowed us to use 2021 to develop a new plan for the succession of Independent Directors over the medium term. Dr Pamela Kirby is standing down at the Annual General Meeting and I will reach nine years' service in 2023. Accordingly, we will be looking to find candidates to increase the level of independent representation on the Board during the course of 2022. During this process, the NGC will be mindful of the Board's commitment to have at least 33% Directors identifying as women. The NGC will also review the additional commitments of Directors in terms of Committee Chairs and other responsibilities with a view to ensuring a smooth transition of responsibilities. The Board considers it is important for those undertaking these additional responsibilities to have sufficient time to build experience of Hikma and relationships with relevant colleagues in advance.

In terms of succession for the chairing of Board Committees, I am pleased to report that Nina Henderson has kindly agreed to continue Pam's thoughtful leadership of the Remuneration Committee.

Balance

During the year, the NGC reviewed the composition of the Board. This review included consideration of the skills and attributes of each member, the balance between constructive challenge and empowerment of the executive, the results of the recent Board evaluation exercise and the current and desired level of diversity in the Boardroom (see page 69 and 81). I am pleased to report that the NGC confirms that the Board continues to operate effectively and that each member is valued for the experience and skills that they bring.

Skills and experience
The NGC continues to believe that a longer induction period is desirable for new Independent Directors to allow for building understanding of the business and, where succession for a Committee Chair is taking place, the transfer of knowledge and relationships associated with the particular committee. Additionally, the Board believes it is important for all Directors to have significant international experience at an executive level, a challenging yet consensual style, and the highest level of integrity. The Committee regularly considers whether there may be gaps in fulfilling the specific and in-depth experience that the Board requires as a whole, which focuses on the following areas:

- strategy, culture and leadership
- business environment in both the US and the MENA region
- pharmaceutical manufacturing and distribution
- development of new healthcare capabilities
- listing regulations, investor perceptions and governance

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

During the year, the Board received briefings on matters such as the pharmaceutical competitive environment, the development of biosimilars, healthcare business development activity, crisis management, investor perceptions, business intelligence, capital markets and listing related developments.

Tenure
The Committee's policy on tenure is that the Independent Non-Executive Directors are normally expected to serve for a period of nine years or, if required to facilitate an orderly transfer of responsibilities, the next Annual General Meeting (AGM) of the Company following the ninth anniversary of their appointment. Their appointments are formally reviewed after three years and at six years a more rigorous review process is undertaken.

Other than Dr Pamela Kirby, each member of the Board will stand for election or re-election at the 2022 AGM. The position of each Director was closely reviewed during the year as part of the consideration of succession arrangements, independence issues, the bi-annual governance structure reviews, the Board and Committee evaluation processes and the ongoing dialogue between the Executive Chairman and the Senior Independent Director.

Time commitment
The NGC continues to review the external commitments of each Director with a view to ensuring that the benefits of the additional experience from their external commitments are not outweighed by reductions in the commitment to the Company. The Directors achieve excellent attendance and spend significant time delivering their responsibilities. Accordingly, the NGC considers that there is currently an appropriate balance. The Committee will continue to monitor the situation.

Diversity
The Board approved Hikma's diversity policy, which applies to the whole Group, including the Board. Hikma's objective is to continue to ensure that it has an inclusive workplace that welcomes different cultures, perspectives, and experiences from across the globe. Hikma is committed to employing and engaging talented people, irrespective of their race, colour, religion, age, sex, sexual orientation, marital status, national origin, present or past history of mental or physical disability and any other factors not related to a person's ability to perform the relevant role.

Hikma's inclusive workplace welcomes different cultures, perspectives, and experiences from across the globe

One of the three pillars of the Group's strategy is to 'inspire and enable our people'. The Group's policy and approach to diversity, succession and appointments are a core part of this pillar. The Board monitors the diversity metrics which are detailed on page 69 and uses these as a reference point when considering the level of achievement against its diversity objective (detailed above). Hikma has successful empowerment and talent development programmes to help all employees make the most of their potential, for more information please see pages 8 and 13. This diversity policy is included in our Code of Conduct and communicated to all employees. Further detail on employee diversity is provided on page 69.

The Group's talent acquisition policies for the three most senior staff grades require a balanced list of candidates that ensures diversity.

Ethnicity
The Board considers that it has demonstrated strong ethnic diversity since the formation of Hikma and has three Directors identifying as Minority Ethnic representing 30% of the Board, including the Executive Chairman. Accordingly, the Board has achieved and wholeheartedly supports and adopts the Parker recommendation to have at least one Director identifying as minority ethnic.

Gender
Since its founding, Hikma has actively promoted gender diversity across its operations. The NGC was pleased to be able to improve gender diversity in the Boardroom over the past few years. The Board has adopted the Hampton-Alexander target to achieve at least 33% of Board members identifying as women. The processes to enhance the level of independent representation on the Board during the course of 2022 will take into account the desire to achieve this target.

Governance review

As in previous years, the NGC undertook the annual review of the Group's governance arrangements in conjunction with the Company Secretary. This year the exercise included a thorough review of the structure of the Board, Board Governance Manual, and compliance with the UK Governance Code and supporting governance guidance.

Evaluation and performance

During 2021, we undertook a full, externally moderated interview and observations-based Board evaluation with Independent Audit Limited (IAL). IAL were appointed following a competitive tender process during 2020. Our previous provider of board evaluation services had worked with us for circa nine years and the Board considered it was an appropriate point to refresh our approach. IAL do not perform any other consultancy services for the Group.

As part of the refreshment of our approach to Board evaluation, we have adopted the 'Principles of Good Practice for listed companies using external Board reviewers' which were published by the Corporate Governance Institute in January 2021. We confirm that IAL have adopted the 'Code of Practice for Board reviewers' and that we have agreed with IAL the description of the Board evaluation process detailed on this page and the disclosures which reflect opinions attributed to IAL. IAL started working with the Board in 2021 and have not provided any other services to Hikma prior to this. In discharging their duties, several Independent Directors have engaged with IAL as part of the evaluation work undertaken by other companies and organisations where they have a governance role.

Process
The most recent evaluation process was coordinated by the Senior Independent Director at the request of the Executive Chairman. IAL observed the conduct of one meeting of the Board and each Committee and conducted a private interview with each Director, the Company Secretary, and selected members of management. Based on the observations and feedback, IAL produced a report which they discussed with the Senior Independent Director and Company Secretary and, subsequently, with the Executive Chairman. As a result of these meetings, the Senior Independent Director and Company Secretary prepared a note for the Board which detailed a proposed response to the points raised. IAL provided their feedback on the response note. IAL's full report and the response note were subsequently reviewed by the full Board in a meeting with only Board members, IAL's representative, and the Company Secretary present. Further to that meeting, the responses to the points raised (see the table on this page) were refined and agreed at a subsequent Board meeting.

The results of the 2021 evaluation process formed part of the Executive Chairman's appraisal of the overall effectiveness of the Board and its members and the assessment of the Executive Chairman's performance by the other members of the Board. Additionally, during the period between assessments, the Directors suggest and promote improvements as they arise.

Results
Our response to the issues raised in the 2021 Board evaluation report are:

Observations	Action taken
Facilitating discussion IAL noted that there may be opportunities for more extensive Board discussion by making adjustments to the way in which information is shared and meetings are structured.	The Board adopted IAL's recommendation that there should be more opportunity for discussions without management present. Additionally, the Board restructured its meetings into three parts and requested that Executive Committee members attend the information sharing part of the new meeting structure (which is detailed on pages 75 and 76). This ensures that executives are aware of the key issues that may affect their Group-level responsibilities and the Board believes this makes for a fuller and more informed discussion and strengthens the relationship between Directors and management. The Board adopted IAL's recommendations that board time without management should be adjusted so that they chiefly take place at the beginning and the end of the meeting. The Board considered that the Chief Executive Officer's highly informative briefing did not require a written submission as to do so could reduce the free flowing and informative nature of the report and, nevertheless, any important matters were documented in the minutes.

Observations	Action taken
Positioning and summarising IAL observed some meeting items being positioned and summarised by the presenters	The Board reviewed the positioning of meeting business and concluded that the Executive Chairman should lead the first part of the meeting where the key discussions are held on matters related to governance, major strategic initiatives, and finance. The Board considers the Chairman's leadership in the first part of the meeting ensures that discussions are appropriately framed and directors have an opportunity to discuss aspects without management.
Presentation and purpose IAL observed that improvements could be made to the positioning of papers, defining their purpose and setting out the issues that the Board may choose to focus on in its discussions. Furthermore, this would give an opportunity to reduce the length of management presentations	The Board has adapted its agenda to make clear whether items require approval, input or are for information only. This has ensured that less meeting time is spent on matters that are for information only and the material is available in advance. The Board considers that management's highly informative and comprehensive papers and presentations significantly add to the processes for making decisions and developing ideas and, therefore, has not significantly altered the processes related to presenting and positioning matters for approval or input. All presentations include an appropriate opportunity for questioning.
Governance disclosure IAL observed that the governance disclosure in the Annual Report could more fully explain the conduct of Board meetings and the roles of relevant parties	The Board has reviewed its governance disclosure and enhanced the description of the roles of the Chairman, Chief Executive Officer, and Senior Independent Director and the explanation of the way in which meetings are conducted through the 'Applied Governance' section on pages 75 and 76.

During the year, I met separately with the Independent Directors, the Chairman and the Chief Executive Officer in order to undertake an assessment of the performance of the Board. We concluded that the Board continues to operate effectively and that a significant number of enhancements have been made over the recent period, particularly since the Chief Executive Officer joined in February 2018. The next Board evaluation exercise will be undertaken during 2022 and reported in the following Annual Report.

The evaluation process has helped us recognise strengths and make further enhancements

Conclusions and actions

In relation to the most recent assessment exercise, the Board has reviewed its approach and made modifications where it believes that additional value can be obtained and has enhanced the disclosure of its governance arrangements (see pages 75 and 76 for further details). Additionally, the Board considered that it continued to operate effectively with particular strengths in the following areas:

- the strategic leadership of the Executive Chairman
- the effective relationship between Executive Chairman and the Chief Executive Officer
- the commitment to doing the right things
- the energy and dedication of the executive management team and Board Directors
- our approaches to setting and monitoring risk appetite

Executive Chairman's appraisal

The Executive Chairman and I meet regularly to discuss matters including the performance of the Board and how his role helps deliver and enhance that performance. This builds on discussions that I hold with the Independent Directors which occur bi-annually and commentary received through the board evaluation process. The Executive Chairman's performance is also reviewed by the Remuneration Committee as part of the determination of performance-based compensation.

Director appraisal

The Executive Chairman, having taken into account the comments from the Board evaluation and discussions with the Senior Independent Director and Chief Executive Officer, reviewed the performance of each of the Directors during the year and concluded that each Director contributes effectively to the Board, brings particular areas of skill and experience that ensure the Board as a whole has the right capabilities, and devotes sufficient time to their role. The NGC has concluded that the relevant Directors be recommended to shareholders for re-election at the 2022 AGM.

For and on behalf of the Nomination and Governance Committee.

Patrick Butler
Chair, Nomination and Governance Committee
23 February 2022

Audit Committee
Letter from the Chair

Douglas Hurt
Chair, Audit Committee

Dear Shareholders

I am pleased to report that the Committee has had another year of solid progress in its oversight of the matters delegated to it by the Board.

During the year, the Committee continued to play a key role in assisting the Board in its oversight of financial reporting, forecasting and auditing matters. The Committee's activities included reviewing and monitoring the integrity of the Group's financial information, the Group's systems of internal controls and risk management, and the internal and external audit process.

Ensuring resilience and clear reporting

Pandemic impacts

The COVID-19 pandemic continued to create challenging conditions in 2021, which required a high level of adaptability and resilience from our financial reporting and external audit teams. The Committee is pleased to report that all the relevant processes under its oversight have continued to operate in an effective manner during the pandemic. We recognise that we owe a lot to the commitment of our colleagues and their strong relationships with internal and external auditors and advisers.

In terms of the impacts of the pandemic on our financial performance, we have continued to experience changes to the mix of products required by hospitals and patients. The Group has performed well throughout the pandemic and at the end of the financial year had undrawn committed financing facilities in excess of $1,000 million. The viability statement and going concern assumptions have been critically reviewed and the Group is in a strong financial position.

Verification

During the year, management reviewed the mechanisms to enhance the assurance process related to the qualitative disclosures in the Annual Report (beyond the audit, adviser review and internal review processes). As a result, the qualitative disclosures have been reviewed by our internal teams who are responsible for each section of the Annual Report and who have provided additional verification and support material in respect of each material statement of fact. This enhancement assisted the Committee in its determination that the report and accounts taken as a whole are fair, balanced and understandable.

Distributable reserves

The Committee is aware that the FRC is encouraging organisations to provide greater clarity on their distributable reserves position. During the year, management re-assessed the Group's distributable reserves in line with FRC guidance. The Committee has reviewed and approved the distributable reserves disclosure in the financial statements (see page 181 for further details).

The Committee has also reviewed a proposal by management to convert the Group's merger reserve (which was created when the business listed in 2005 and as a result of the acquisition of the Columbus facility in 2016) into further distributable reserves. This merger reserve reduction process has been undertaken by several other listed companies. It is an ordinary course legal procedure undertaken with guidance from our legal advisers and subject to shareholder approval at the Annual General Meeting and the approval of the Court. It should result in the Company's distributable reserves increasing significantly in excess of the current dividend requirements, thereby creating greater flexibility for the future. Shareholders will find further details of the merger reserve reduction in the AGM notice on pages 6 to 7.

Internal audit

The internal audit of Hikma is performed by Ernst & Young (EY), who report directly to the Chair of the Committee. There is a regular programme of interaction between EY and the Committee.

EY assess each facility and the Group's major processes over a three-year period. For major sites, assessments are more frequent. Management is required to respond to findings within a short time period, complete all process improvements within two years and ensure at least 80% of high-risk findings are resolved within six months. The Committee has received reports on the findings of the programme and is pleased to report that management has responded appropriately to any new findings and has made good progress in delivering its plans for enhancements that have previously been identified.

During the year, the Committee monitored progress with the internal audit programme for 2021 and reviewed and approved the plan for 2022. EY and management work closely together to deliver the internal audit plan, develop action plans for points raised, and ensure that the Committee receives appropriate and timely information. The Committee is pleased with the progress and commitment of management and the internal auditors.

During the year, the Committee continued to monitor the performance and independence of the internal auditors in accordance with the policies that have been established. The Committee concluded that EY continue to perform an effective internal audit programme and remain independent. The Committee considers that EY bring significant pharmaceutical and MENA market experience which is complemented by the experience of other third-party experts where required.

External audit

The external audit was undertaken by PricewaterhouseCoopers LLP (PwC) and has been since their appointment in May 2016. PwC were appointed following a competitive tender process. Mr Darryl Phillips was appointed as a key audit partner in 2017 before subsequently becoming the senior statutory auditor in May 2019. Mr Phillips has served the maximum time allowed on the audit of Hikma and will hand over his responsibilities to Mr Nigel Comello. Mr Comello is a partner in the audit practice of PwC who was selected following internal assessments by PwC. Following a briefing by PwC regarding the selection process, the Committee reviewed and approved the appointment. The Committee welcomes Mr Comello to the role and thanks Mr Phillips for his dedicated service.

Effectiveness

During the year, the Committee reviewed the work of PwC and concluded that they provide an effective audit, have constructive relationships with the relevant parties and that Mr Phillips provided clear and constructive leadership to the audit team. As part of this review the Committee examined the following areas:

- **Audit quality and technical capabilities:** the Committee considered that the auditors undertook an effective and in-depth assessment and verification exercise in respect of the financial statements and associated disclosures for the year ended 31 December 2021 and that the level of expertise PwC brought to bear was high. The Committee provides feedback on the auditor's performance as part of the regular meetings with them without management present, takes into account the reports and analysis of the Financial Reporting Council, and believes that there is an open and appropriately challenging relationship between the audit leadership team, the Audit Committee and management
- **Independence:** the Committee regularly reviews the independence safeguards of the auditors and remains satisfied that auditor independence has not been compromised. The Committee's policy on the provision of non-audit services is that all such proposed services require the approval of the Committee in advance of an instruction. The Committee is satisfied that the auditors are independent
- **Challenge and judgement:** the Committee considers that PwC provide significant challenge to the management team which results in the Company's position being fully considered and supported and, where appropriate, further strengthened. The Committee believes that PwC has demonstrated well considered and clear-sighted judgement in the matters on which it has provided opinion and has been open to an appropriate level of challenge and debate
- **Non-audit fees:** the Committee's policy is that the external auditors should not undertake any work outside the scope of their annual audit and the review of the interim financial statements. The Committee has discretion to grant exceptions to this policy where it considers that exceptional circumstances exist and that independence can be maintained, whilst having due regard to the FRC's ethical standards for auditors. The Committee's approval is required to instruct PwC to perform non-audit services. PwC provided assurance services related to the interim review and other audit related assurance work with a value of $200,000 (2020: $210,000). In 2020, PwC provided services related to the bond offering totalling $208,000, but no such services were provided in 2021. These services are within the ordinary course of services provided by the auditor

The Committee confirms that the statutory audit services for the financial year under review were conducted in compliance with the Competition and Markets Authority Order, and a competitive audit tender process was undertaken in 2015.

Audit tendering

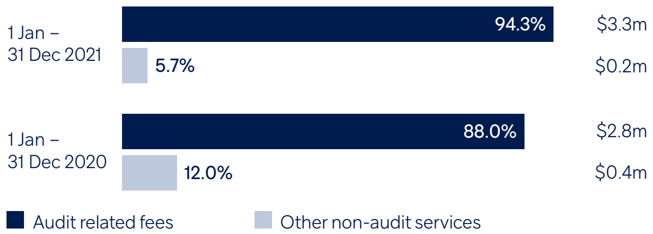
PwC were appointed as auditors in May 2016, therefore, the current Annual Report is the sixth report that they have audited. PwC rotated the Senior Statutory Auditor in 2019 and, as noted earlier on this page, a further rotation will occur in 2022. This follows the Chair of the Audit Committee being transferred to Douglas Hurt in December 2020. The Committee considers it is prudent to allow time for one significant change to become embedded before embarking on another. In accordance with the audit tendering guidelines, the Committee confirms that it is not expecting to undertake a tender exercise until 2025. The Committee will keep the situation under review and report to shareholders accordingly.

Fees

Auditor's fee ($m)

$3.5m

PwC



Position and prospects

During the year, management undertook an annual review of its strategic direction and an extensive assessment of the Group's short-term and medium-term prospects which are included in the budget for the following year and the five-year business plan, respectively. Management presented and received the Board's approval and commentary on the full strategy, budget and business plan. Having taken account of how the business has responded to the challenges of the commercial environment, the business plan, principal risks and uncertainties facing the Group and other relevant information, the Committee has concluded that the Group continues to have attractive prospects for the future.

Going concern and longer-term viability

The Group has a selection of scenarios with severe but plausible downside assumptions based upon the Group's principal risks and uncertainties. Each year, management models the impact of these scenarios occurring as part of the going concern and viability analysis. In respect of the most recent assessment, the scenarios took into account the Group's principal risks, management's view on current significant risks, and longer-term emerging risks which are detailed in the viability disclosure on page 63.

The Committee reviewed the outcomes from the scenario analysis and concluded that the Group could reasonably respond to the challenges and ensure the continued survival of the business. The impact of a scenario (involving several risk events) has consistently been manageable for the Group, while acknowledging that it may result in a short-term set back. The Directors considered the going concern position as detailed on page 62. Having reviewed and challenged the downside assumptions, forecasts and mitigation strategy of management, the Directors believe that the Group is adequately placed to manage its business and financing risks successfully. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of signing the financial statements. Therefore, the Directors continue to adopt the going concern basis in preparing the financial statements.

The Directors, having considered the longer-term viability assessment as detailed on page 63, confirm that they have a reasonable expectation that Hikma will be able to continue in operation and meet its liabilities as they fall due and over the viability period which ends on 31 December 2024. See page 63 for further details.

Significant matters

As part of its work reviewing the financial performance of the Group and the report of the auditors, the Audit Committee considered and discussed the following important financial matters:

- **Goodwill and intangible assets – valuations and disclosures:** As in previous years, management undertook the impairment test exercise in respect of each of the four Cash Generating Units (CGU) and the Group's other intangible assets. In respect of the Branded, Injectables and Generics business divisions that constitute three of the CGUs, no new impairment indicators were identified and, therefore, management concluded that the existing headroom continued to be sufficient. In respect of the Generic Advair Diskus® CGU, management had recommended an impairment reversal of $46 million at the half year review and subsequently instructed an external party to assess the fair value of the CGU less the cost of sale. Following this valuation, management concluded that no further adjustment was required. The review of product related intangibles resulted in an impairment charge of $23 million and an impairment reversal of $14 million. The Committee reviewed management's approach and recommendations and concluded that the proposals were appropriate.
- **Revenue recognition:** The Committee reviewed the Group's policies for revenue recognition and the application of those policies by management. The Committee reviewed the model applied by management to arrive at the chargebacks, which estimates the 'in-channel' inventories held by wholesalers and the chargeback rate being the difference between the contracted price with indirect customers and the wholesaler's invoice price. Similar reviews were undertaken of the deductions to revenue made for customer rebates, returns and indirect non-customer and government rebates. The Committee also agreed the disclosures around these year-end estimates and the sensitivity of the estimates to changes in assumptions.
- **Taxation:** Hikma's worldwide operations are highly integrated and involve a number of cross-border supply chains, which results in judgement being required to estimate the potential tax liabilities in different jurisdictions. During the year, the Committee and Board received presentations from the Head of Tax regarding the potential direction of tax planning activities and enhancements to the resources available to the department, the control environment for operational effectiveness and reporting. The Committee took advice from professional services firms and management in assessing the reasonableness of the Group's provisions for uncertain tax positions which amounted to $44 million and in reviewing the deferred tax assets in key markets which amounted to $183 million. The Committee reviewed the appropriateness of the disclosures in the Annual Report, and reviewed and approved the Group's tax strategy statement, which is available on the Company's website
- **Contingent Liability:** Following receipt of a notification from HMRC in the UK confirming that the Company is not a beneficiary of state aid, the Group no longer holds a contingent liability relating to associated UK and EU litigation. The Committee reviewed and concurred with the conclusion
- **Hyperinflationary economies:** The Group operates in Lebanon and Sudan which have experienced inflation in excess of 100% over a three-year period and, therefore, are considered to be hyperinflationary economies in accordance with IAS 29. In accordance with the International Financial Reporting Standards the financial statements for the relevant entities have been restated to reflect the current purchasing power using the official exchange rate of those economies resulting in a reduction to the Group's net income of circa $10 million and an increase in the Group's revenue of circa $43 million. The Committee reviewed and approved management's approach to ascertaining the financial impact of this event in accordance with the accounting standard
- **Cloud based software:** In response to the IFRIC April 2021 agenda decisions regarding cloud computing arrangement customisation and configuration costs treatment. Management undertook an assessment of the Group's software-related intangible assets and concluded that circa $13 million of assets should be expensed as a cost instead of being capitalised. The Committee concurred that the amount was not material to the prior year results and that it should be treated as an exceptional item in the current year

Understanding the key judgemental matters

Fair, balanced and understandable

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

- initiating the review process for the Annual Report significantly before the year-end, considering external developments, issuing guidance to contributors and identifying areas for improvement
- obtaining input from external advisers, including the auditors, designers, corporate brokers and public relations advisers
- undertaking several multi-functional reviews of the disclosures as a whole prior to the publication of the Annual Report to ensure consistency and accuracy across the document as a whole
- overseeing an extensive verification process to ensure the accuracy of disclosures

Each member of the Audit Committee and the Reporting Committee is satisfied that the 2021 Annual Report is fair, balanced and understandable and has recommended the adoption of the Report and Accounts to the Board.

Reporting controls

Hikma's key controls and risk management systems relating to the financial reporting process include the enterprise resource planning system, the external audit at subsidiary and Group levels, the processes in the 'Fair, balanced and understandable' and 'Verification' sections described earlier in this letter, the review of the financial statements and disclosures that is undertaken by the Executive Committee, and detailed internal financial control processes necessitating the verification of financial records at a local, regional and Group level.

Managing risk and uncertainty

Risk management and internal control

Risk management

The Committee has continued to receive reports on the operation of the Group's enterprise risk management framework which includes the material controls and programme for enhancing the Group's mitigation efforts. As in previous years, management and the Board have undertaken a thorough assessment of the Group's emerging risks as well as the annual review of the principal risks. The Committee and the Board have considered the principal risks facing the Group and we have decided that no adjustments were required in the year under review. The Board and management have also reviewed the appetite for those principal risks and have concluded that it remains appropriate. After a review of those risks that present a greater potential risk in the near term, the Board received additional information on the Group's data security initiatives. Further information regarding the Group's risk management activities is available in the Risk management section on pages 54 to 63.

Internal control
The Board confirms that it is ultimately responsible for ensuring that Hikma's systems of internal controls and risk management remain effective. The key elements of our internal control framework are as follows:

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

The Board is satisfied that Hikma's systems for internal control accord with the FRC's guidance, and have been in place throughout the year under review and up to the date of approval of the Annual Report and Accounts. The Board reviews the effectiveness of these systems at least annually as part of the processes for the Annual Report and risk management. The Board has not identified any material weaknesses. In making this assessment, the Board takes into account:

- **Risk management:** the enterprise risk management framework that provides a structure for risk management activities to occur at all levels of the organisation, including management of the principal risks and uncertainties (detailed on pages 59 to 61). Risk reporting processes ensure the Executive Committee and the Board are engaged in the design and implementation of new control initiatives and provide oversight of existing programmes
- **Internal audit:** the Committee receives regular reports from the internal auditors and other third-party experts who review relevant parts of the Group business operations, assess Hikma's processes, identify areas for improvement, monitor progress, and undertake their own assessment of the risks facing Hikma
- **Financial performance:** Hikma's financial performance and forecasting reports are reviewed by the Board to aid the understanding of the underlying performance of the business, deviations from expectations and management's operational challenges and responses
- **Ethics:** the business integrity and ethics procedures and controls that are led by the Compliance, Responsibility and Ethics Committee (CREC). To ensure consistency and awareness between these Committees' responsibilities, the Audit Committee Chair is a standing member of the CREC
- **Governance:** the Board and Group-level controls and processes that make up our approach to governance that is led by the Nomination and Governance Committee and includes all appropriate financial and non-financial controls
- **External auditor:** the regular and confidential dialogue with the external auditor

Membership of the Committee
The Committee comprises solely of Independent Directors all of whom have relevant financial experience. I am considered by the Board to have significant recent and relevant financial experience chiefly related to my work with other audit committees, having been a finance director of another listed entity and having held senior financial positions in other entities. Biographical details of the Committee members can be found pages 70 to 71. The Board is satisfied that the Committee has the resources and expertise to fulfil its responsibilities.

As Chair of the Audit Committee, I remain available to shareholders and stakeholders should they wish to discuss any matters within this report or under the Committee's area of responsibility whether at the AGM or by writing to the Company Secretary.

Douglas Hurt
Chair, Audit Committee
23 February 2022

Compliance, Responsibility and Ethics Committee
Letter from the Chair

John Castellani
Chair, Compliance, Responsibility and Ethics Committee

Dear Shareholders
During 2021, the Compliance, Responsibility and Ethics Committee (CREC) continued to promote and oversee our commitments to business integrity, quality, communities and ethical conduct.

This report focuses on the matters that the Committee addressed during the year. Further details related to the structure of our ABC compliance and integrity programme are available on our website.

Ethics
Modern slavery
Hikma is committed to ensuring that modern slavery in the form of forced or compulsory labour and human trafficking does not take place in any of its businesses or supply chains across the globe. Key measures in support of this goal include:

- training Hikma staff on labour standards and how to recognise and respond to any incidences of modern slavery
- undertaking periodic analysis of any modern slavery risk in Hikma's businesses and supply chains
- carrying out appropriate due diligence
- engaging with supply chain partners and the operational part of our business if and when any issues arise

Corporate Social Responsibility
The Committee oversaw, encouraged and supported the corporate social responsibility programme which is so clearly linked to our founder's desire to improve lives, particularly through health, educational and development opportunities for the least privileged. Our social responsibility report provides a detailed assessment of our key efforts which is available on pages 36 to 53.

Ethical issues
The Committee oversaw Hikma's response to ethical issues arising during the year. There are no matters to report.

Integrity, quality and community

Anti-bribery and corruption
ABC programme
Our ABC compliance programme continues to perform in a highly effective manner. The ABC programme has strong support from the Board, the CREC and the Chief Executive Officer. The Chief Compliance Officer reports to the Chief Counsel and has direct access to the Committee.

I am pleased to update you on our progress with our programme to assess the ABC practices of our suppliers. During the year, we completed the roll out of new third-party due diligence processes across all our major areas of operation. Where relevant, appropriate action has been taken.

Commitment to integrity
The Committee and the Board are very proud of Hikma's commitment to high standards of business integrity. It includes the Board's long-standing, zero-tolerance of bribery and corruption which has been demonstrated in numerous instances, including being a founding member of the World Economic Forum's Partnering Against Corruption Initiative.

Code of Conduct
The Committee continues to oversee the development and promotion of Hikma's Code of Conduct, which embodies the important moral and ethical values that are critical to the Group's success. The Code guides all the Committee's activities and is the key reference point for all our employees. During 2021, management reviewed and updated the Code of Conduct to ensure that it remains appropriate, relevant and easily understood. The changes were reviewed and endorsed by the Committee and approved by the Board.

Speak up
The Committee has reviewed the speak up procedures and reports during the year and remains satisfied that the process continues to operate effectively. The procedures, which include a Committee of senior and independent corporate employees that undertake proportionate investigations and implement corrective action, are appropriate and effective.

The Committee continued to receive regular reports on issues identified through the Group-wide speak up arrangements, which include confidential reporting lines that report directly to the previously mentioned Investigations Committee. The programme includes Group-wide reporting software and a communications system provided by an independent third party. This system ensures that colleagues can report confidentially or in anonymity. The overall level of reports is within the normal range for an organisation of our size.

The Chair of the Audit Committee is a standing member of the CREC and vice versa, which ensures that any relevant issues are considered by the right people within our governance structure. Both Committee Chairs report all relevant matters considered by their Committee to the next Board meeting. Speak up matters are reported and considered as part of this process.

Training
During the year, we continued with our training programmes for the Code of Conduct, ABC, anti-money laundering and related matters. The programmes have been developed with assistance from external experts and are provided to employees virtually through their personalised corporate training portal. Our training programmes include worked examples and tests to ensure and enhance understanding. The Board has fully supported the training programmes and has undertaken the aspects that apply to all colleagues.

Auditing and Monitoring
The Committee receives regular updates on the internal auditing and monitoring programme conducted by the Hikma Compliance team. In addition, the Committee retains independent third parties to conduct periodic audits of the compliance programme and related activities.

Doing the right thing and ensuring compliance

Regulations

Anti-trust, anti-money laundering (AML) and trade sanctions
The Chief Counsel oversees Hikma's compliance with the anti-trust, AML and trade sanctions legislation, amongst other matters. The Chief Counsel has created procedures for the management of these matters which have been reviewed and approved by the CREC. The Chief Counsel reports to the CREC on relevant matters that arise, including pertinent changes to the regulatory landscape. The legal team has developed a training programme on anti-trust, AML, prevention of tax evasion and trade sanctions, which has been undertaken by colleagues whose roles require training or awareness.

Criminal Finances Act
The Chief Counsel is responsible for ensuring compliance with the Criminal Finances Act. The CREC has approved procedures that have been recommended by the Chief Counsel and reviewed those procedures at appropriate intervals. The procedures are designed to respond to the requirements of the prevention of tax evasion legislation from the UK Government. Hikma's processes and procedures in this regard are proportionate to its risk of facilitating tax evasion, which is relatively low. Hikma is steadfast in applying the principles of the UK tax evasion legislation across its businesses and will continue to oversee matters of compliance.

Data protection
The Chief Counsel is responsible for Hikma's data protection policies which are designed to ensure compliance with relevant legislation. The policies were considered by the Board at the point of implementation of the General Data Protection Regulation and were updated and then reviewed by the Committee during 2021.

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

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

John Castellani
Chair, Compliance, Responsibility and Ethics Committee
23 February 2022

Remuneration Committee
Letter from the Chair

Pamela Kirby
Chair, Remuneration Committee

Dear Shareholders

I am pleased to present our 2021 Remuneration Report. I have decided not to stand for re-election to the Board of Hikma at the 2022 AGM, consequently I will cease my role as Chair of the Committee at that point. I am delighted that Nina Henderson has agreed to lead the Committee going forward. Nina and I have worked closely on remuneration issues over a number of years and I am pleased that I will leave the Committee in good hands.

Remuneration Policy

The policy for the remuneration of Executive Directors provides a salary, benefits and pension sufficient to be market competitive. This approach is adopted across the organisation in order to align the entire culture of Hikma. The policy focuses the Executive Directors on the incentive opportunity available from the Executive Incentive Plan (EIP) which chiefly requires the delivery of annual financial performance targets. These targets apply to the Group bonus scheme in which all colleagues participate and, therefore, ensure clarity for our employees and builds further on the cultural alignment objective. The financial targets derive from the Group's five-year business plan and, therefore, require the delivery of the Group's medium-term strategy which ensures that the shareholder experience and pay outcome are aligned, predictable and proportional. The targets are set above both the prior year outturn and the prior year target ensuring that longer-term financial performance is delivered and builds further on the proportionality objective. Further information on the rationale for the targets is available on page 98.

The EIP, which applies to the top two levels of management, diverges slightly from the bonus scheme that operates for more junior employees. The divergence enables the Company to reduce the prior year awards of senior management if performance is not sufficiently maintained in the current year. This operates through the establishment of forfeiture performance levels such as those detailed on pages 100 to 105. Additionally, for executive directors only, a clawback policy applies to all awards which ensures that behavioural and reputational risks are mitigated. These measures ensure that the emergence of material risks to the Group are reflected in pay outcomes.

Our remuneration policy was adopted in 2014. The changes made since that point have been in response to points raised by investors and the governance community as well as our enhanced understanding of how the arrangements align colleagues to deliver value:

- Reducing the overall number of targets for each director thereby enhancing clarity and ensuring simplicity
- Increasing the weighting of the financial targets thereby increasing the objectivity in the determination of awards and making the outcome more proportionate to the shareholder experience
- Limiting salary increases to the level of the local workforce thereby ensuring fairness and clarity for our employees. Additionally, this ensures that increases are limited to a sustainable level for the entire business.

During 2022, we will be applying our existing policy and reviewing its effectiveness and areas for improvement.

Aligning outcomes

Performance outcome

The financial targets that the Committee established for the directors for 2021 were very stretching. The Group revenue target was $2,529 million (2020: $2,299 million) and the core operating profit before R&D target was $785 million (2020: $667 million). These targets have increased by 18% and 31% over the last two years. In respect of the performance outcome for 2021, you will see from the performance tables on pages 100 to 105 that the revenue and profit outcomes were around the level of our challenging expectations.

The strategic elements of the performance targets for 2021 related to our approach to Environmental, Social and Governance (ESG) issues and our plans for ensuring leadership succession. Both of these elements are core to Hikma's ability to continue to deliver its strategic plans and create value for society.

During 2021, the Board requested that the Chief Executive Officer define the Group's ESG strategy with a particular emphasis on the Group's emissions and impact on the environment. The project has been completed successfully. We have established and tested where we are with our current arrangements, modelled our climate impact, approved a longer-term target for the reduction of greenhouse gas emissions and developed plans to deliver that target. The exercise enabled the Group to identify opportunities to reduce its greenhouse gas emissions by 19% compared to the prior year. As we move forward, the opportunities for further reductions will become more challenging and must be delivered whilst growing the business resulting in significant effort being required to achieve a 25% reduction (from the level in 2020) by 2030. The Committee has determined the performance level for this target as Maximum.

In relation to leadership succession, the Chief Executive Officer has developed solid succession plans for each role at the Executive Committee and identified and ranked the mission critical roles, including assessing internal talent. The ability of the Company to deliver its operational performance and strategic projects over the longer term will be dependent on the continued strength of its leadership team. This work is critical to the future of the Group and the Committee. Excellent progress has been made and, therefore, the Committee has rated the performance as Above Target.

Overall, the financial performance has been assessed as close to the target level and the strategic performance as above target, resulting in an overall performance determination slightly above the target level. The Committee noted that the Company has performed strongly in terms of Total Shareholder Return (TSR) since the Chief Executive Officer joined in 2018, but the TSR performance has declined somewhat during the year under review. The Committee reviewed the bonus outcomes for colleagues across the organization and noted that the trend was for bonuses to be reduced slightly year on year. Accordingly, the Committee considers that the remuneration policy has operated successfully in that: there is alignment between the amounts paid to Executive Directors and the wider workforce; the longer-term strategy is on target; and the short-term shareholder experience is aligned with the performance outcome. Therefore, the

Committee has not adjusted the quantitative outcome of the performance metrics.

Future performance targets

As noted earlier in this letter, we believe the current approach to performance targets is delivering and, therefore, we are continuing with our existing approach to financial targets. They will continue to represent at least 80% of the overall performance outcome and the budget for 2022 (which was approved by the Board in December 2021) has been used to determine target level of performance.

In relation to the strategic targets, the Executive Chairman will continue to have a Return on Invested Capital target because this reflects the long-term nature of his role. The Chief Executive Officer and Executive Vice Chairman are responsible for delivering strategic priorities and, therefore, their strategic targets are linked to the continued delivery of our ESG programme (see pages 37 to 52 for further details).

Pension contribution

Hikma's pension contributions for Executive Directors are aligned with the workforce contribution of c.10% of salary, other than in respect of the Chief Executive Officer who receives a contribution of 14.1% of his current salary. The Chief Executive Officer's pension contribution has been frozen resulting in it reducing from 15% of salary over the last two years. The Committee will seek to align this pension contribution with the wider workforce in the event of a change of the position holder. The benchmarking information received by the Committee confirms that the contribution level is at the lower end of expectations for this position.

Salaries

The Committee undertook a benchmarking exercise during the year which took into account the normal, size adjusted market data from the FTSE 100 and global pharmaceutical market. Additionally, the Committee requested an exercise to provide further information on market practices in the MENA region. Having considered the market data and packages of the Executive Directors, the Committee determined that the Executive Chairman was well positioned against his peers and, accordingly, no increase was required. In relation to the Chief Executive Officer, the Committee approved an increase of 3.5% which takes into account that his total package is significantly below our US peers and a c. 3.5% increase being the average increase for the Group's workforce. The Vice Chairman's salary was increased by 3.5% in line with the approach across the Group and the salary benchmarking data.

Wider employee context

The Committee does not directly consult employees on the remuneration aspects contained in this report, but receives regular updates on employee feedback through the work of the Director responsible for employee engagement, the Group human capital department and the bi-annual employee cultural survey, which is conducted by an external organisation.

The Committee reviews the pay proposals in terms of salary increments and performance pay for employees at a jurisdictional and Group level. The maximum salary increment for an executive director is set by reference to the salary increment for the jurisdiction of operation and the wider employee bonus pool is determined by reference to performance against the same financial metrics that apply to the Executive Directors. In terms of pay gaps, the Committee notes that the Company's peers typically have a pay ratio of 1:100 (employees:CEO total pay) or more whereas the Company's position is c. 1:28 (2021 total pay: $187,444 for UK/Group employees: $5,307,358 for the Chief Executive Officer). Accordingly, the Committee considers that the approaches to pay for the workforce and Executive Directors are aligned and, therefore, do not require significant additional explanation.

The Committee is regularly briefed on the wider employee pay policies and practices throughout the Group, including the internal Living Wage report and the level of pay in each one of our jurisdictions, which takes account of the cost of living. We continue to be fully committed to provide a Living Wage to all our employees.

Engagement

At the 2021 AGM (further information is available on page 92) shareholders were supportive of the report on remuneration. The Committee has not sought to implement policy changes or made significant adjustments to the Executive Directors' compensation. Accordingly, the Committee did not conduct any one to one shareholder engagement activity during the year. Comments received on the Company's remuneration policy will be taken into consideration in the remuneration policy review that is due in 2022 and will be reported to shareholders next year.

Discretion

The Committee oversees the application of discretion in accordance with the Remuneration Policy. The Committee has not applied this discretion during the year under review.

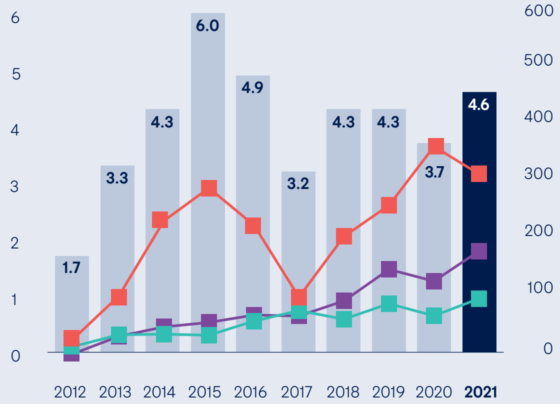
I remain open to discussion with shareholders should there be any matters that they wish to raise directly.

Dr Pamela Kirby
Chair, Remuneration Committee
23 February 2022

Remuneration dashboard

TSR and total executive pay

Over the last ten years, Hikma has performed strongly against its UK peers in Hikma's index (FTSE 100) and sector (FTSE 350 Pharmaceuticals & Biotechnology segment, a relatively small group of companies that are mainly focused on developing new medicines).

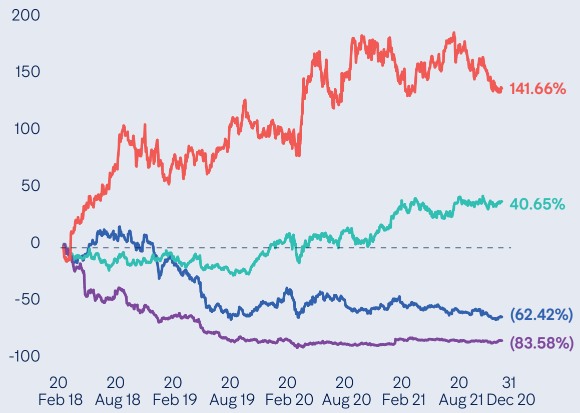


Average Executive Director pay
Hikma Pharmaceuticals PLC TSR
FTSE 100 TSR
FTSE 350 Pharmaceuticals & Biotechnology TSR

Generic pharmaceutical peers

Hikma operates within a sub-set of the pharmaceutical industry that focuses on generic medicines, mainly in the US market. Hikma requires access to the US generic pharmaceutical environment to recruit its specialised and extensive talent pool. The Committee viewed Hikma's strong relative performance since Siggi Olafsson joined in February 2018 as an important factor in determining the Executive Directors' performance awards.

Strong TSR performance since Siggi Olafsson's appointment

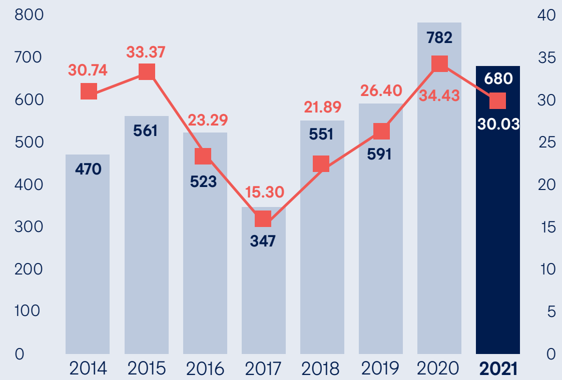


Hikma
Large Cap Specialty/Generics[1]
CEEMEA Healthcare[2]
US Mid Cap Generics and Injectables[3]

1. Large Cap Specialty/Generics includes Teva, Viatris and Perrigo
2. CEEMEA Healthcare includes KRKA, Aspen, Adcock and Gedeon
3. US Mid Cap Generics and Injectables includes Amneal, Amphastar, Lannett, Advanz and Mallinckrodt

Value of executive holdings

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

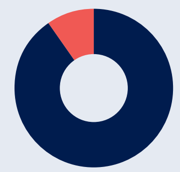


Executive Director shareholding
Share price (as at year-end in US dollars)

Shareholder approval

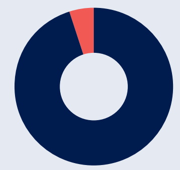
Annual report on remuneration (23 April 2021 AGM)

Votes available	230,771,404
Votes cast	177,078,354
For	90.4%
Against	9.6%
Withheld[4]	1,198,566



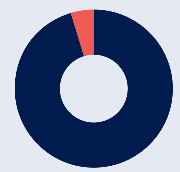
Annual report on remuneration (30 April 2020 AGM)

Votes available	242,543,355
Votes cast	199,924,407
For	95.16%
Against	4.84%
Withheld[4]	2,894,616



Remuneration Policy (30 April 2020 AGM)

Votes available	242,543,355
Votes cast	199,924,378
For	95.5%
Against	4.5%
Withheld[4]	2,894,646



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

Remuneration and performance summary

This report (on pages 92 to 110) complies with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Performance components

	2020		2021
Sales	$2,341 million	9%	**$2,553 million**
Core operating profit before R&D	$703 million	10%	**$775 million**
Share price	2,518p	-12%	**2,219p**
Dividend	50 cents	8%	**54 cents**
Employee compensation	$560 million	4%	**$583 million**
Shareholder implementation approval	95.16%		**90.4%**
Shareholder policy approval	95.5%		**N/A**

Total remuneration

Executive Director	2020 ($000)		2021 ($000)		2022 ($000) (estimate)
Said Darwazah	4,060	13%	**4,585**	15%	**5,252**
Siggi Olafsson	3,719	43%	**5,307**	56%	**8,262**
Mazen Darwazah	3,227	12%	**3,809**	1%	**3,863**

Components

	2020 ($000)		2021 ($000)		2022 ($000) (estimate)
Salary[1]					
Said Darwazah	1,018	0%	**1,018**	0%	**1,018**
Siggi Olafsson	1,133	3%	**1,167**	4%	**1,208**
Mazen Darwazah	717	5%	**753**	4%	**780**
Bonus[2]					
Said Darwazah	1,855	-15%	**1,568**	-3%	**1,527**
Siggi Olafsson	2,252	-16%	**1,895**	-4%	**1,812**
Mazen Darwazah	1,297	-5%	**1,232**	-5%	**1,169**
Share awards vested[3]					
Said Darwazah	1,047	80%	**1,875**	38%	**2,583**
Siggi Olafsson	0	N/A	**2,047**	146%	**5,039**
Mazen Darwazah	1,064	60%	**1,700**	5%	**1,787**
Pensions					
Said Darwazah	69	0%	**69**	0%	**69**
Siggi Olafsson	170	-6%	**160**	3%	**165**
Mazen Darwazah	56	4%	**58**	5%	**61**
Other benefits					
Said Darwazah	70	-21%	**55**	0%	**55**
Siggi Olafsson	163	-77%	**38**	0%	**38**
Mazen Darwazah	93	-29%	**66**	0%	**66**

1. Salary: The average rise for salaries across Hikma in 2021 was 3.5%
2. Bonus: The bonus figure comprises Elements A and C of the EIP. See page 95 for further explanation. The 2022 estimate presumes target performance
3. Share awards vested: 2021 figures represent Element B of the 2019 EIP and Element C of the 2018 EIP exercised during that year. 2022 is an estimation of the value of Element B of the 2020 EIP and Element C of the 2019 EIP that are to vest in that year, using 31 December 2021 vesting percentages, share prices and exchange rates

Non-Executive Directors' fees

Non-Executives	2020 (£000)		2021 (£000)		2022 (£000) (estimate)
Non-Executive Directors' average total fee[1]	97.1	8%	**104.6**	3%	**107.6**

1. NED fees: The average Non-Executive Director's fee includes basic fee, Committee membership fee, fees for specific additional responsibilities, and Committee Chair fees. A full breakdown of fees on page 109. The average fee changes reflect the handover of Committee responsibilities and retirement and appointment of Non-Executive Directors

Remuneration Policy Summary

The Directors' Remuneration Policy (the Policy) is summarised below. It is also detailed in full on pages 79 to 84 of the 2019 Annual Report and can also be found on the website at: www.hikma.com/investors/corporate-governance/key-committees/remuneration-committee/. The Policy was approved at the AGM held on 30 April 2020. The Policy took effect from this date and may operate for up to three years.

Fixed elements

- Base salary
- Benefits
- Pension

+

Variable elements – Executive Incentive Plan (EIP)

- Element A – cash bonus
- Element B – deferred shares
- Element C – restricted shares

=

Total remuneration

Fixed elements

	Purpose and link to strategy	Operation
Fixed elements	**Base salary** Provides a base level of remuneration to support recruitment and retention of Directors with the necessary experience and expertise to deliver the Group's strategy.	Salaries are set with reference to: pay increases for the general workforce acting as an upper limit unless exceptional circumstances exist; salaries in peer companies from the pharmaceutical sector and UK listed companies; Company performance; and affordability.
	Benefits An appropriate package of market competitive benefits to ensure executives are rewarded and focused.	Benefits may include, but are not limited to: healthcare; school fees; company cars; life insurance; relocation where it is required by the Company; and tax equalisation where the director becomes tax resident in a jurisdiction as a result of the role.
	Pension An appropriate level of pension contribution to ensure executives are provided with a retirement standard commensurate with their role.	The Company operates defined contribution arrangements in its main operational jurisdictions and executives participate in these arrangements. A cash supplement in lieu of pension may be paid provided that the total pension payment does not exceed the maximum opportunity.

Executive Incentive Plan (EIP)

Performance awards that incentivise Directors to deliver annual financial performance targets and certain key strategic deliverables, with the majority of awards made in shares to ensure that medium-term performance is delivered.

The Remuneration Committee sets annual performance targets for awards under the EIP, in accordance with the rules of the EIP. Annual performance metrics are based on:

- **Financial metrics:** At least 80% of the performance award, with specific targets based on the budget that is approved prior to the performance period. The precise targets will be determined by the Committee on an annual basis
- **Strategic deliverables:** Up to 20% of the performance award is based on the delivery of specific, subjective targets that are set by the Committee in order to ensure that key milestones in the Company's strategy are delivered

At the end of each year the Committee determines the level of performance for the prior year. Based on the performance, the Committee makes the following awards:

Element	Maximum award % of salary	Payout mechanism	Vesting period	Risks after award	Additional requirements	Treatment under the remuneration regulations
A	150%	Cash bonus	Immediate	– Clawback	None	Cash bonus
B	150%	Deferred Shares	2 years	– Forfeiture – Clawback – Share price – Employed	All shares vesting are subject to a holding period after vesting. These shares may not be sold until 5 years after grant.	Share award
C	100%	Restricted Shares	3 years	– Clawback – Share price – Employed		Bonus[1] deferred in shares

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

A holding requirement applies to Elements B and C ensuring that shares may not be sold until five years from the point of grant. Following cessation of employment of an Executive Director, the Company's policy is that the Director must hold for a period of two years the lower of the shares held on cessation of employment or shares equivalent to 300% of the final, annualised salary.

In relation to disclosure of performance targets:

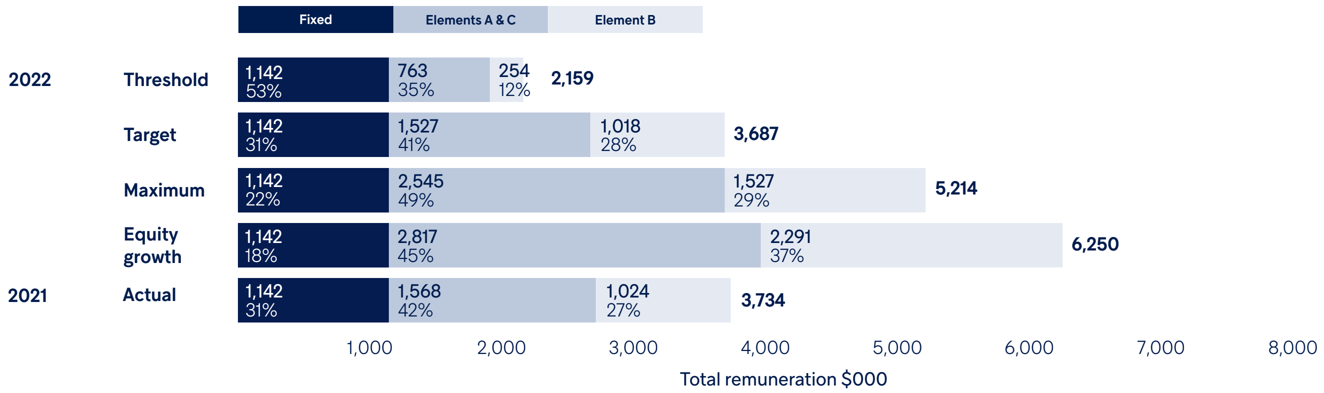
- Prior year (2021): full details of the previous year's performance targets, their level of satisfaction and the resulting performance remuneration are disclosed on pages 100 to 105
- Future year (2022): the nature and weighting of future performance targets are disclosed on page 98.

Malus and clawback provisions apply.

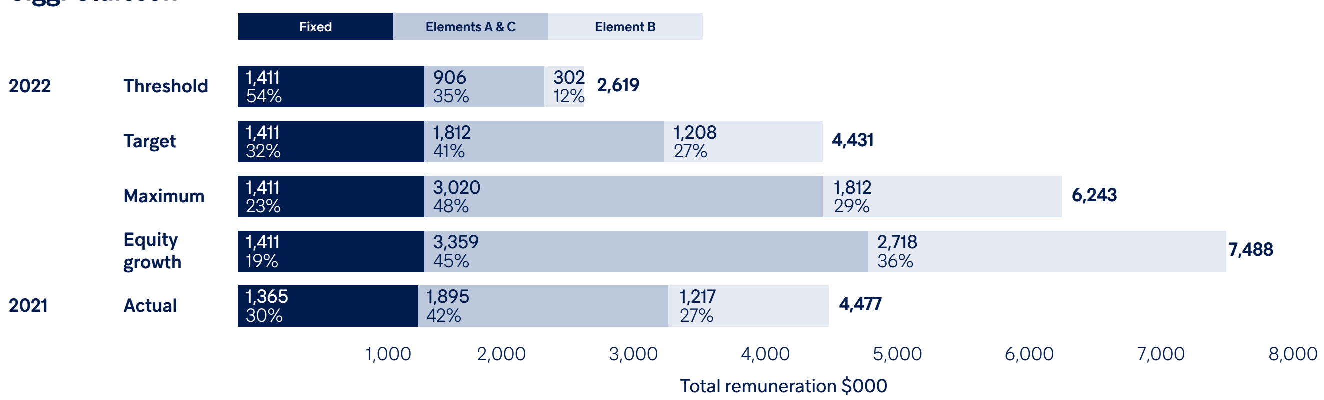
Illustration of policy

The following charts show the value of each of the main elements of the compensation package provided to the Executive Directors during 2021 and the potential available for 2022 (dependent upon performance).

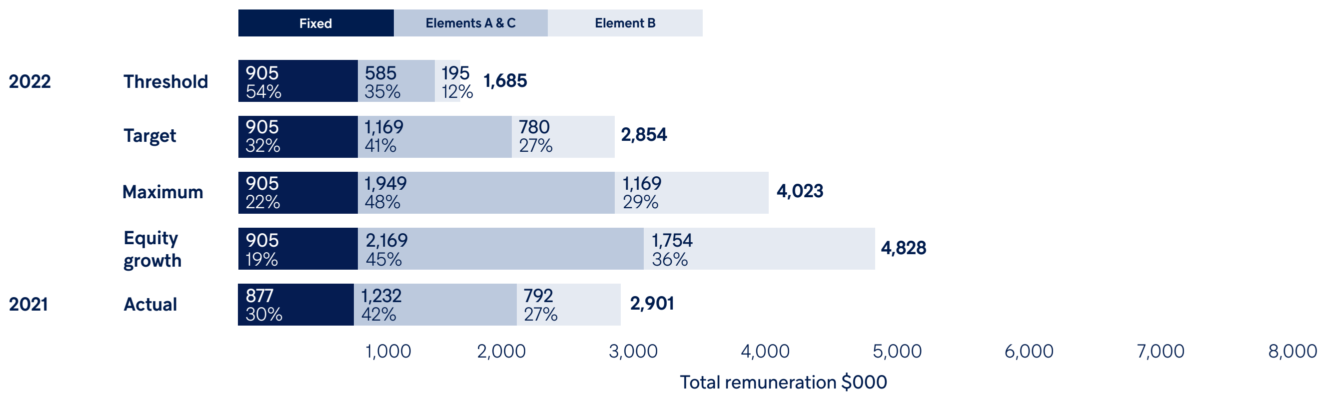
Said Darwazah



Siggi Olafsson



Mazen Darwazah



The following notes are applicable to the above calculations:

- Salary, benefits and pension comprise 'Fixed' remuneration
- Elements A and C of the EIP comprise the bonus and; Element B comprises the share award. Elements A, B and C of the EIP are made in the year after the performance is achieved (eg for the 2022 illustration, the bonus would be paid and the share awards be granted in 2023. The share awards would vest two or three years later). Please note that the Remuneration and performance summary on page 92 uses share awards vesting (ie actual shares received, not those granted) during the period in order to make clear the difference between potential remuneration and what the Executive Director receives in practice
- 'Equity growth' presumes a 50% increase in the value of shares granted under the EIP in respect of that year and that the executive remains in place for the holding period (ie the award vests)

Annual report on remuneration

The information presented on pages 96 to 110 has been audited by PwC, as indicated.

Director and average employee compensation change

The table below shows the percentage change in the Chief Executive Officer's (CEO) salary, benefits and bonus between 2020 and 2021 compared with the percentage change in the average of each of those components of pay for employees (excluding the Executive Directors).

	Salary			Benefits			Bonus		
	2021	2020	Percentage change from 2020 (from 2019)	2021	2020	Percentage change from 2020 (from 2019)	2021	2020	Percentage change from 2020 (from 2019)
Executive Chairman	**$1,018,000**	$1,018,000	0.0% (0.0%)	**$55,465**	$70,323	-21.1% (-15.6%)	**$1,568,281**	$1,879,388	-16.6% (-1.3%)
CEO	**$1,166,990**	$1,133,000	3.0% (3.0%)	**$37,930**	$163,231	-76.8% (-72.3%)	**$1,895,381**	$2,141,419	-11.5% (5.2%)
Vice Chairman	**$753,144**	$717,155	5.0% (0.0%)	**$65,166**	$92,892	-29.8% (0.7%)	**$1,232,175**	$1,312,176	-6.1% (-1.1%)
Pat Butler	**$145,469**	$149,730	-2.8% (2.0%)	**$0**	$0	0.0% (0.0%)	**$0**	$0	0.0% (0.0%)
Ali Al-Husry	**$118,405**	$112,298	5.4% (3.5%)	**$728**	$2,002	-63.6% (-39.7%)	**$0**	$0	0.0% (0.0%)
Dr Pamela Kirby	**$145,469**	$137,966	5.4% (2.9%)	**$0**	$0	0.0% (0.0%)	**$0**	$0	0.0% (0.0%)
John Castellani	**$145,469**	$137,966	5.4% (2.9%)	**$8,747**	$12,443	-29.7% (-23.9%)	**$0**	$0	0.0% (0.0%)
Nina Henderson	**$145,469**	$137,966	5.4% (2.9%)	**$8,556**	$12,170	-29.7% (-17.8%)	**$0**	$0	0.0% (0.0%)
Cynthia Flowers	**$131,937**	$125,132	5.4% (76.9%)	**$5,568**	$7,813	-28.7% (0.0%)	**$0**	$0	0.0% (0.0%)
Douglas Hurt	**$159,001**	$85,560	85.8% (0.0%)	**$0**	$0	0.0% (0.0%)	**$0**	$0	0.0% (0.0%)
Employees ($m)	**$318**	$306	3.9% (2.0%)	**$112**	$105	6.7% (1.0%)	**$61**	$56	8.9% (0.0%)
Number of employees	**8,703**	8,681	0.3% (1.2%)	**8,703**	8,681	0.3% (1.2%)	**8,703**	8,681	0.3% (1.2%)
Average per employee	**$35,160**	$35,249	-0.3% (0.8%)	**$12,065**	$12,095	-0.2% (-0.2%)	**$6,435**	$6,451	-0.2% (-1.2%)
Average per UK/PLC employee	**$129,295**	$111,370	16.1% (1.3%)	**$4,218**	$9,234	-54.3% (34.8%)	**$44,681**	$37,887	17.9% (5.7%)

Hikma's pay review, which took effect from 1 January 2021, awarded average percentage increases in wages and salaries of 3.5% (2020: 3.0%) for existing employees (with certain exceptions for jurisdictions experiencing very high inflation). The nature and level of benefits to employees in the year ended 31 December 2021 were broadly similar to those in the previous year (2020: unchanged).

UK gender and CEO pay ratios

Hikma has 35 employees in the UK (who work for the Group holding company) and, as a result, is exempt from gender pay and average employee: CEO pay disclosure requirements. The small number of employees and significant diversity of roles and seniority in the UK results in significant challenges in obtaining comparable gender data. The ratio of total CEO pay to the average Group employee is 28:1 using a simple average methodology. Hikma is committed to paying fairly and not discriminating on gender or other grounds.

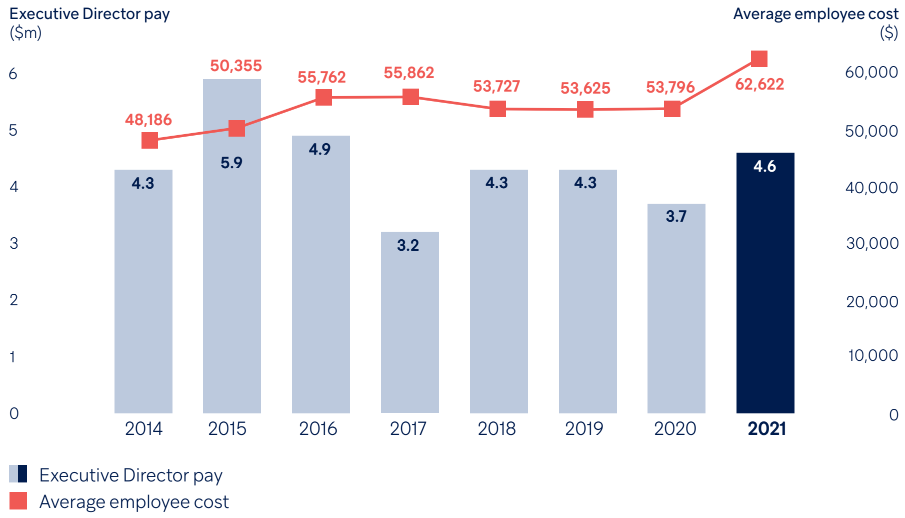
Relative importance of spend on pay

The following table sets out the total amount spent in 2021 and 2020 on remuneration of Hikma's employees and major distributions to shareholders.

Distribution expense	2021	2020	% change from 2020 to 2021
Employee remuneration	**$583 million**	$560 million	4.1%
Distributions to shareholders[1]	**$120 million**	$477 million	-74.8%

1. The Company purchased 12.8 million shares during 2020 at a cost of $368 million, which is included in the distributions to shareholders in accordance with the regulations. Those shares are held in treasury and do not receive dividends

Employee cost and average executive pay ($m)



Committee membership and attendance

Members and attendance

Member	Meetings	Attendance
Dr Pamela Kirby (Chair)	4/4	100%
Pat Butler	4/4	100%
John Castellani	4/4	100%
Nina Henderson	4/4	100%
Cynthia Flowers	4/4	100%
Douglas Hurt	4/4	100%

Advice and support

The Committee seeks the assistance of senior management (Chief Executive Officer, EVP Organisational Development, Group Total Reward Director and Company Secretary) on matters relating to policy, performance and remuneration, but ensures that no officer or employee takes part in discussions relating to their own remuneration or benefits.

Willis Towers Watson (WTW) continued to provide independent advice to the Committee, at the Committee's request, in relation to market practice, UK corporate governance best practice, and incentive plan target setting. WTW also provided the Human Capital department with broad benchmarking and incentive operation advice that related to employees below Board level. A policy fee structure is in place for the provision of advice and is used to determine a quote for each project before it is undertaken. The total fees for advice to the Committee during the year were $39,383 (2020: $90,929), which were determined in accordance with a pre-agreed fee matrix applied to a schedule of regular projects which are undertaken by WTW. For ad hoc projects, an estimate is provided based on the specification for the work. The Committee reviewed the performance of WTW during the year and fees received, concluding that WTW remained independent and continued to provide high-quality service. WTW were appointed by the Committee in 2016 following a competitive tender process. WTW adheres to the Remuneration Consultants Group Code of Conduct. During the year, the Committee instructed Mercer to undertake a region specific benchmarking exercise for which a fee of $8,000 (2020: $8,000) was paid. Mercer are a recognised expert in the region in question.

Policy implementation 2021

Policy deviation

During 2021, the Committee has not deviated from the remuneration policy approved by shareholders at the AGM on 30 April 2020.

Salaries, benefits and pension

Please see the Chair's letter (page 90) for commentary on salaries. The application of benefits and pension is unchanged.

Executive Director	Individual	Salary 2022	Salary 2021	Change %
Executive Chairman	Said Darwazah	**$1,018,000**	$1,018,000	0.00%
Chief Executive Officer	Siggi Olafsson	**$1,207,834**	$1,166,990	3.50%
Executive Vice Chairman	Mazen Darwazah	**$779,504**	$753,013	3.50%

Executive Incentive Plan (EIP)

For 2022, the Committee has determined that the performance criteria for the Executive Directors will be:

Area	Description	Weight	Rationale
Financial	Group/divisional revenue	40%	Historically, the pricing of generic pharmaceutical products has decreased with time. The Committee is cognisant that this could lead to declining revenue over the longer term, which could ultimately result in a declining business overall. By ensuring that a significant proportion of performance remuneration is based on revenue, the Committee is able to ensure that the Executive Directors are focused on mitigating pricing declines by maximising the potential of the in-market portfolio, launching new products, and developing the pipeline. Please see page 22 of the Strategic report for the detail on this target.
	Group/divisional core operating profit before R&D	40%	Ultimately, core operating profit is a key measure of value to Hikma's shareholders. Given the highly competitive business environment in which Hikma operates, the Executive Directors must focus continuously on optimising Hikma's cost base. The Committee wants the Executive Directors to deliver an optimised cost base without putting at risk the longer-term prospects of the business by underinvesting in R&D. Therefore, R&D costs have been excluded from this criterion. Please see page 22 of the Strategic report for the detail on this target.
Strategic	Strategic deliverables	20%	The targets are designed to ensure that the Executive Directors deliver the ESG strategy and target to reduce Greenhouse Gas emissions by 25% by 2030 that is detailed on pages 22 and 23 of this report. Further details will be disclosed on measurement.

Disclosed on measurement

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

Structure (applicable to EIP from 2020 to 2022)

	Elements: A Cash bonus	B Deferred shares	C Restricted shares	Total
Forfeiture	0%	0%	0%	0% award + forfeit 50% outstanding Element B
Below minimum	0%	0%	0%	0% award
Minimum	25%	25%	25%	75% award
Target	100%	100%	50%	250% award
Maximum	150%	150%	100%	400% award

Single total figure (audited)

The following table shows a single total figure of remuneration in respect of qualifying services for the 2021 financial year for each Executive Director, together with comparative figures for 2020.

Director	Year	Salary $	Benefits $	Bonus (EIP Elements A and C) $	Shares Vested (EIP Element B) $	Pension $	Total $	Total Fixed $	Total Variable $
Said Darwazah	2021	1,018,000	55,465	1,568,281	1,875,447	68,926	4,586,119	1,142,391	3,433,728
	2020	1,018,000	70,323	1,855,055	0	68,946	3,012,324	1,157,269	1,855,055
Siggi Olafsson	2021	1,166,990	37,930	1,895,381	2,047,007	160,050	5,307,358	1,364,970	3,942,388
	2020	1,133,000	163,231	2,252,369	0	169,950	3,718,550	1,466,181	2,252,369
Mazen Darwazah	2021	753,144	65,166	1,232,175	1,294,742	58,484	3,403,710	876,793	2,526,917
	2020	717,155	92,892	1,297,238	508,838	55,765	2,671,888	865,812	1,806,076

The EIP performance criteria for 2021 are detailed on pages 100 to 105.

Benefits

Said Darwazah received transportation benefits of $40,303 (2020: $55,216) and medical benefits of $15,162 (2020: $15,107). Siggi Olafsson received transportation benefits of $19,992 (2020: $19,992), housing benefits of $nil (2020: $110,903) related to his stay in the UK and medical benefits of $17,938 (2020: $32,336). Mazen Darwazah received transportation benefits of $35,064 (2020: $64,603) and medical benefits of $30,102 (2020: $28,289). Social security payments made in Jordan, that are required to be paid by Jordanian law, are not considered to be a benefit.

Pension

Said Darwazah and Mazen Darwazah participate in the Hikma Pharmaceutical Defined Contribution Retirement Benefit Plan (the Jordan Benefit Plan) on the same basis as other employees located in Jordan. Under the Jordan Benefit Plan, Hikma matches employee contributions made, up to a maximum of 10% of applicable salary. Participants become entitled to all of Hikma's contributions once they have been employed for ten years. Before that point, there is a staggered scale which starts at three years of employment. Said Darwazah and Mazen Darwazah have served for in excess of ten years and receive their benefits under the Jordan Benefit Plan because they are over 60 years of age. In respect of 2020, Siggi was due to receive a pension contribution of $165,000 which represented 14.6% of his salary. However, a calculation error was made resulting in an overpayment of $4,950 which has been deducted from the 2021 payment. Hikma Pharmaceuticals PLC does not and has not operated a defined benefit scheme.

Additional Information

The following additional information is available in the Remuneration Committee's report:

- Director and average employee compensation change: please see page 97
- Relative performance and spend on pay: please see page 91
- AGM voting: please see page 92

Vested share awards

During 2021, the following share awards vested for the Executive Directors. The total shares vested in 2021 are summarised in the following three tables.

EIP

Under the EIP, performance criteria must be met before an award is granted. There are three award types under the EIP which are treated in the following manner in respect of the table above:

- Element A – a cash bonus that is payable immediately and attributed to the earnings for the performance year
- Element B – an award of shares that vests two years after grant subject to there being no forfeiture events and is attributed to the earnings in respect of the year in which it vests (i.e. two years after being granted)
- Element C – an award of shares that vests three years after grant and, due to their being no further performance requirements, is attributed to the earnings for the performance year in the same manner as Element A

The tables below detail share awards (Elements B and C) vesting during the year ended 31 December 2021. Whilst these shares vested during 2021, they are attributed to earnings as detailed in the paragraph above.

Said Darwazah — EIP

Maximum number of shares capable of vesting — Element B	61,666
Maximum number of shares capable of vesting — Element C	Nil
Forfeiture	Nil
Vesting price	Nil
Number of vested shares	61,666
Total value of vested shares[1]	**$1,875,447**

1. Share price on vesting was £21.94 and was $1.386 to £1 under Element C

Siggi Olafsson — EIP

Maximum number of shares capable of vesting — Element B	67,307
Maximum number of shares capable of vesting — Element C	Nil
Forfeiture	Nil
Vesting price	Nil
Number of vested shares	67,307
Total value of vested shares[2]	**$2,047,007**

2. Share price on vesting was £21.94 and was $1.386 to £1 under Element C

Mazen Darwazah — EIP

Maximum number of shares capable of vesting — Element B	42,572
Maximum number of shares capable of vesting — Element C	12,042
Forfeiture	Nil
Vesting price	Nil
Number of vested shares	54,614
Total value of vested shares[3]	**$1,700,169**

3. Share prices on vesting were £21.94 and £23.84 and there were $1.386 and $1.413 to £1 under Element B and Element C, respectively

Share price appreciation

The increase in value of the above awards from the point of grant to the point of vesting was $498,437 in relation to Said Darwazah, $544,042 in relation to Siggi Olafsson, and $582,439 ($344,108 in relation to Element B and $238,331 for Element C) in relation to Mazen Darwazah.

GOVERNANCE

2021 Performance outcome: Executive Chairman (audited)

Readers are directed to the commentary on business performance that is included in the Chair's letter on pages 89 to 90. The following table sets out the performance conditions and targets for 2021 and their level of satisfaction:

Performance condition			Performance level					Achievement		Application
Section	Description	Rationale and measurement	Weighting	Forfeiture 0% salary awarded	Minimum 75% of salary awarded	Target 250% of salary awarded	Maximum 400% of salary awarded	Results	Achievement	% of salary
Financial	Core revenue	Historically, the pricing of generic pharmaceutical products has decreased with time. The Committee is cognisant that this could lead to declining revenue over the longer term, which could ultimately result in a declining business overall. By ensuring that a significant proportion of performance remuneration is based on revenue, the Committee is able to ensure that the Executive Directors are focused on mitigating pricing declines by maximising the potential of the in-market portfolio, launching new products, and developing the pipeline. See page 22 of the Strategic report for further detail on the performance related to this target.	45%	Target -30% $1,770 million	Target -10% $2,276 million	Target $2,529 million	Target +10% $2,782 million	Core revenue of $2,553 million	Target to maximum	118.9% of salary
	Core Operating Profit (COP) before R&D	Ultimately, COP is a key measure of value to Hikma's shareholders. Given the highly competitive business environment in which Hikma operates, the Executive Directors must focus continuously on optimising Hikma's cost base. The Committee wants the Executive Directors to deliver an optimised cost base without putting at risk the longer-term prospects of the business by underinvesting in R&D. Therefore, R&D costs have been excluded from this criterion. See page 22 of the Strategic report for further detail on the performance related to this target.	45%	Target -30% $550 million	Target -10% $707 million	Target $785 million	Target +10% $864 million	COP before R&D of $775 million	Threshold to target	102.4% of salary
Strategic	Return on Invested Capital (ROIC)	Hikma invests significant capital to expand its product portfolio and pipeline and improving its high-quality manufacturing capabilities. Over the longer term, these activities ensure that margins can be maintained through manufacturing more complex/specialty products and capturing greater market share, respectively. The extensive range of capital investments have various timeframes for delivering new capabilities and enhancing Hikma's competitive position. The performance of previous and existing projects is monitored by the Board on a project by project basis. ROIC provides a Group-level method of assessing the time and cost to deliver projects and their ultimate returns over a one-year timeframe. See page 22 of the Strategic report for further detail on the performance related to this target.	10%	Target -32% 11.0%	Target -10% 14.6%	Target 16.2%	Target +10% 17.8%	ROIC of 17.1%	Target to maximum	33.3% of salary
Total			**100%**	**Unacceptable**	**Acceptable**	**Good**	**Excellent**			**254.6%**

The above performance results in performance remuneration under the EIP as follows (audited):

Participant		Calculation			Receive		
Executive	EIP Element	Salary	Maximum potential (% of salary)	Application % of salary	Value of bonus/shares	Receive	Notes
Executive Chairman	A	$1,018,000	150%	100.6%	$1,023,958	Cash now (February 2022)	All shares vesting are subject to a holding period after vesting. These shares may not be sold until 5 years after grant.
	B		150%	100.6%	$1,023,958	Shares in 2 years from February 2022	
	C		100%	53.5%	$544,323	Shares in 3 years from February 2022	
Total			**400%**	**254.7%**	**$2,592,239**		

2021 Performance outcome: Chief Executive Officer (audited)

Readers are directed to the commentary on business performance that is included in the Chair's letter on pages 89 to 90.
The following table sets out the performance conditions and targets for 2021 and their level of satisfaction:

Performance condition				Performance level					Achievement		Application
Section	Description	Rationale and measurement	Weighting	Forfeiture 0% salary awarded	Minimum 75% of salary awarded	Target 250% of salary awarded	Maximum 400% of salary awarded	Results	Achievement	% of salary
Financial	Core revenue	Historically, the pricing of generic pharmaceutical products has decreased with time. The Committee is cognisant that this could lead to declining revenue over the longer term, which could ultimately result in a declining business overall. By ensuring that a significant proportion of performance remuneration is based on revenue, the Committee is able to ensure that the Executive Directors are focused on mitigating pricing declines by maximising the potential of the in-market portfolio, launching new products, and developing the pipeline. See page 22 of the Strategic report for further detail on the performance related to this target.	40%	Target -30% $1,770 million	Target -10% $2,276 million	Target $2,529 million	Target +10% $2,782 million	Core revenue of $2,553 million	Target to maximum	105.7% of salary
	Core Operating Profit (COP) before R&D	Ultimately, COP is a key measure of value to Hikma's shareholders. Given the highly competitive business environment in which Hikma operates, the Executive Directors must focus continuously on optimising Hikma's cost base. The Committee wants the Executive Directors to deliver an optimised cost base without putting at risk the longer-term prospects of the business by underinvesting in R&D. Therefore, R&D costs have been excluded from this criterion. See page 22 of the Strategic report for further detail on the performance related to this target.	40%	Target -30% $550 million	Target -10% $707 million	Target $785 million	Target +10% $864 million	COP before R&D of $775 million	Threshold to target	91.0% of salary
Strategic	Environmental, Social, and Governance Strategy	During 2021, the Board requested that the Chief Executive Officer fundamentally review the Group's ESG strategy with a particular emphasis on the Group's emissions and impact on the environment (further commentary is available on page 89).	10%	Committee assessment of the longer term corporate targets for improving the Group's emissions and environmental performance and the medium term strategy for delivering those targets.				Current status ascertained. Responsible long-term targets approved. Strategic plan delivered.	Maximum determined by the Committee	40.0% of salary
	Leadership succession and development	The ability of the Company to deliver its operational performance and strategic projects over the longer term will be dependent on the continued strength of its leadership team. The Board requested that the Chief Executive Officer develop plans for succession for the top leadership roles and the mission critical roles, including assessing internal talent and creating development plans (further commentary is available on page 89).	10%	Committee assessment of the succession plans for the Group that were presented to the Board in December 2021.				Succession plans for all Executive Committee roles and identification of mission critical roles.	Above target determined by the Committee	30.0% of salary
Total			**100%**	**Unacceptable**	**Acceptable**	**Good**	**Excellent**			**266.7%**

The above performance results in performance remuneration under the EIP as follows (audited):

Participant		Calculation			Receive		
Executive	EIP Element	Salary	Maximum potential (% of salary)	Application % of salary	Value of bonus/shares	Receive	Notes
Chief Executive Officer	A	$1,166,990	150%	104.3%	$1,217,183	Cash now (February 2021)	All shares vesting are subject to a holding period after vesting. These shares may not be sold until 5 years after grant.
	B		150%	104.3%	$1,217,183	Shares in 2 years from February 2022	
	C		100%	58.1%	$678,198	Shares in 3 years from February 2022	
Total			**400%**	**266.7%**	**$3,112,564**		

2021 Performance outcome: Executive Vice Chairman (audited)

Readers are directed to the commentary on business performance that is included in the Chair's letter on pages 89 to 90.
The following table sets out the performance conditions and targets for 2021 and their level of satisfaction:

Performance condition			Performance level					Achievement		Application
Section	Description	Rationale and measurement	Weighting	Forfeiture 0% salary awarded	Minimum 75% of salary awarded	Target 250% of salary awarded	Maximum 400% of salary awarded	Results	Achievement	% of salary
Financial	Core revenue	Historically, the pricing of generic pharmaceutical products has decreased with time. The Committee is cognisant that this could lead to declining revenue over the longer term, which could ultimately result in a declining business overall. By ensuring that a significant proportion of performance remuneration is based on revenue, the Committee is able to ensure that the Executive Directors are focused on mitigating pricing declines by maximising the potential of the in-market portfolio, launching new products, and developing the pipeline. See page 22 of the Strategic report for further detail on this target.	25%	Target -30% $1,770 million	Target -10% $2,276 million	Target $2,529 million	Target +10% $2,782 million	Core revenue of $2,553 million	Target to maximum	66.1% of salary
	Core Operating Profit (COP) before R&D	Ultimately, COP is a key measure of value to Hikma's shareholders. Given the highly competitive business environment in which Hikma operates, the Executive Directors must focus continuously on optimising Hikma's cost base. The Committee wants the Executive Directors to deliver an optimised cost base without putting at risk the longer-term prospects of the business by underinvesting in R&D. Therefore, R&D costs have been excluded from this criterion. See page 22 of the Strategic report for further detail on this target.	25%	Target -30% $550 million	Target -10% $707 million	Target $785 million	Target +10% $864 million	COP before R&D of $775 million	Threshold to target	56.9% of salary
	MENA revenue	The Executive Director is responsible for this region. The Committee considered financial metrics to be the best method of ensuring delivery of the strategy that could be measured in an objective manner that is readily understandable by investors. Measured by target MENA revenue compared to audited MENA revenue for the year ended 31 December 2021. See pages 30 and 31 of the Business and financial review for further detail on this target.	15%	Target -23% $624 million	Target -10% $730 million	Target $811 million	Target +10% $892 million	MENA revenue of $807 million	Threshold to target	36.2% of salary
	MENA COP before R&D	The Executive Director is responsible for this region. The Committee considered financial metrics to be the best method of ensuring delivery of the Board-approved strategy that could be measured in an objective manner that is readily understandable by investors. Measured by target MENA COP compared to audited MENA COP for the year ended 31 December 2021. To align the approach with the Group target, R&D and Group costs have been removed from the measurements of this target. See pages 30 and 31 of the Business and financial review for further detail on this target.	15%	Target -30% $145 million	Target -10% $186 million	Target $207 million	Target +10% $228 million	MENA COP before R&D of $209 million	Target to maximum	39.6% of salary
Strategic	Environmental, Social, and Governance Strategy	During 2021, the Board requested that the Vice Chairman fundamentally review the Group's ESG strategy for the MENA region with a particular emphasis on the division's emissions and impact on the environment (further commentary is available on page 89).	10%	Committee assessment of the longer-term corporate targets for improving the MENA region emissions and environmental performance and the medium-term strategy for delivering those targets.				Current status ascertained. Responsible long-term targets approved. Strategic deliver plan delivered.	Maximum determined by the Committee	40.0% of salary
	Leadership succession and development	The ability of the Company to deliver its operational performance and strategic projects over the longer term will be dependent on the continued strength of its leadership team. The Board requested that the Vice Chairman develop plans for succession for the top leadership roles and the mission critical roles in the MENA region, including assessing internal talent and creating development plans (further commentary is available on page 89).	10%	Committee assessment of the succession plans for the MENA region that were presented to the Board in December 2021.				Succession plans for all MENA region roles and identification of mission critical roles.	Above target determined by the Committee	30.0% of salary
Total			**100%**	**Unacceptable**	**Acceptable**	**Good**	**Excellent**			**268.8%**

The above performance results in performance remuneration under the EIP as follows (audited):

Participant		Calculation			Receive		
Executive	EIP Element	Salary	Maximum potential (% of salary)	Application % of salary	Value of bonus/shares	Receive	Notes
Executive Vice Chairman	A	$753,013	150%	105.2%	$792,237	Cash now (February 2022)	
	B		150%	105.2%	$792,237	Shares in 2 years from February 2022	All shares vesting are subject to a holding period after vesting. These shares may not be sold until 5 years after grant.
	C		100%	58.4%	$439,938	Shares in 3 years from February 2022	
Total			**400%**	**268.8%**	**$2,024,412**		

Outstanding share awards (audited)

Hikma continued to operate the EIP in 2021. The outstanding share awards under the EIP in respect of each of the Executive Directors are:

Participant	Share scheme				Quantum		
Director	Scheme description[1]	Type of interest	Date of award	Date of vesting	Basis of award	Shares (max)	Face value[2]
Said Darwazah	EIP Element C	Conditional award	12-Mar-19	12-Mar-22	85% of salary	38,862	$867,778
	EIP Element B	Conditional award	27-Feb-20	27-Feb-22	117% of salary	47,169	$1,194,310
	EIP Element C	Conditional award	27-Feb-20	27-Feb-23	67% of salary	27,057	$685,078
	EIP Element B	Conditional award	25-Feb-21	25-Feb-23	116% of salary	34,827	$1,182,028
	EIP Element C	Conditional award	25-Feb-21	25-Feb-24	66% of salary	19,830	$673,028
Total						**167,745** (2020: 174,754)	**$4,602,222** (2020: $4,124,176)
Siggi Olafsson	EIP Element C	Conditional award	12-Mar-19	12-Mar-22	87% of salary	42,676	$952,965
	First Year Award (EIP C Equivalent)	Conditional award	12-Mar-19	12-Mar-22	150% of salary	72,000	$1,607,760
	EIP Element B	Conditional award	27-Feb-20	27-Feb-22	122% of salary	53,148	$1,345,709
	EIP Element C	Conditional award	27-Feb-20	27-Feb-23	72% of salary	31,426	$795,709
	EIP Element B	Conditional award	25-Feb-21	25-Feb-23	124% of salary	41,527	$1,409,434
	EIP Element C	Conditional award	25-Feb-21	25-Feb-24	74% of salary	24,836	$842,934
Total						**265,613** (2020: 266,557)	**$6,954,511** (2020: $6,205,108)
Mazen Darwazah	EIP Element C	Conditional award	12-Mar-19	12-Mar-22	83% of salary	26,514	$592,056
	EIP Element B	Conditional award	27-Feb-20	27-Feb-22	117% of salary	32,993	$835,377
	EIP Element C	Conditional award	27-Feb-20	27-Feb-23	67% of salary	18,831	$476,499
	EIP Element B	Conditional award	25-Feb-21	25-Feb-23	115% of salary	24,319	$825,379
	EIP Element C	Conditional award	25-Feb-21	25-Feb-24	66% of salary	13,903	$471,859
Total						**116,560** (2020: 132,952)	**$3,201,170** (2020: $3,021,663)

1. The performance criteria for Elements B and C of the EIP are assessed before a grant is considered. Additionally, Element B is subject to forfeiture criteria for the first two years after grant, which are detailed each year as part of the next year's EIP performance criteria on pages 100 to 105
2. The face value is the value at the point of grant which is the 30-day average to the 31 December of the performance year. The face value (30-day average price) in respect of awards granted in 2019 was $22.33 (£17.63p), 2020 $25.32 (£19.30p), and 2021 $33.94 (£25.25p). The actual value received by Executive Directors under the share incentive arrangements is dependent upon the share price of Hikma at the time of vesting, the satisfaction of performance criteria and the non-occurrence of forfeiture events (EIP Element B only)
3. The minimum value of the awards at vesting will be the share price on the day of vesting multiplied by the number of shares vesting. If the Executive Director leaves employment during the vesting period, the normal position is that zero shares vest. If all the forfeiture conditions occur in each year of the vesting period under Element B only, zero shares will vest. The weighting of each forfeiture condition has a proportional impact on the vesting percentage under Element B only

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

Date	Market price (Closing price)
1 January 2021	2,518p
31 December 2021	2,219p
2021 Range (low to high)	2,186p to 2,690p
23 February 2022	2,013p

Dilution

In accordance with the guidelines set out by the Investment Association, Hikma can issue a maximum of 10% of its issued share capital in a rolling ten-year period to employees under all its share plans and a maximum of 50% of this (representing 5% of issued share capital) for discretionary share plans. The following table summarises the current level of dilution resulting from Hikma's share plans since 2011:

Type of plan	Granted in a rolling ten-year period	Granted during the year
Discretionary Share Plans (5% Limit)	3.66%	0.38%

Director share interests (audited)

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

	Darhold		Personal	
Director	Interest in Darhold	Effective Hikma shares	Shares (incl. connected people)	Total shareholding
Said Darwazah	22.32%	13,393,875	650,070	14,043,945
Mazen Darwazah[1]	11.61%	6,965,543	1,248,850	8,214,393
Ali Al-Husry[2]	8.25%	4,952,513	1,162,811	6,115,324

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

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

	Ownership requirements			Total	Scheme Interests		Total
Director	Percentage of salary	Number of shares	Requirement fulfilled?	Shares owned[3]	EIP subject to performance (Element B)	EIP subject to service (Element C)	Share interests
Said Darwazah	**300%**	101,707	Yes	14,043,945	81,996	85,749	14,211,690
Siggi Olafsson	**300%**	116,952	Yes	55,513	94,675	170,938	321,126
Mazen Darwazah[4]	**300%**	75,245	Yes	8,214,393	57,312	59,248	8,330,953
Ali Al-Husry[5]				6,115,324			6,115,324
Pat Butler				3,875			3,875
Dr Pamela Kirby				4,817			4,817
John Castellani				3,500			3,500
Nina Henderson				7,100			7,100
Cynthia Flowers				1,100			1,100
Douglas Hurt				1,500			1,500

3. Including shares effectively owned through Darhold as per the table above
4. Mazen Darwazah holds his shares in Darhold Limited through a family trust, in which he has a beneficial interest
5. Ali Al-Husry holds his shares in Hikma and Darhold Limited through a family trust, in which he has a beneficial interest

There have been no changes in the interests of the Directors in the shares of Hikma between 31 December 2021 and the date of this report. The share price used to calculate whether the shareholding requirements have been met is the price on 31 December 2021 of £22.19p and foreign exchange rate of $1.353 to £1 on the same date.

Director share interests (audited) continued

The following table sets out the changes in the share interests of Directors during the year under review and up to the date of this report. Other than as detailed in the table, the Directors' share interests in Hikma did not change during the period.

Director	Date	Event	Number of shares
Douglas Hurt	2-Mar-21	Market Purchase of Shares	1,500
Said Darwazah	12-Mar-21	Vesting of 2018 EIP Element B. Retained all shares	61,666
Siggi Olafsson	12-Mar-21	Vesting of 2018 EIP Element B. Retained some shares	35,513
Mazen Darwazah	12-Mar-21	Vesting of 2018 EIP Element B. Retained all shares	42,572
Nina Henderson	17-Mar-21	Market purchase of shares	1,600
Mazen Darwazah	17-May-21	Vesting of 2018 EIP Element C. Retained all shares	12,042

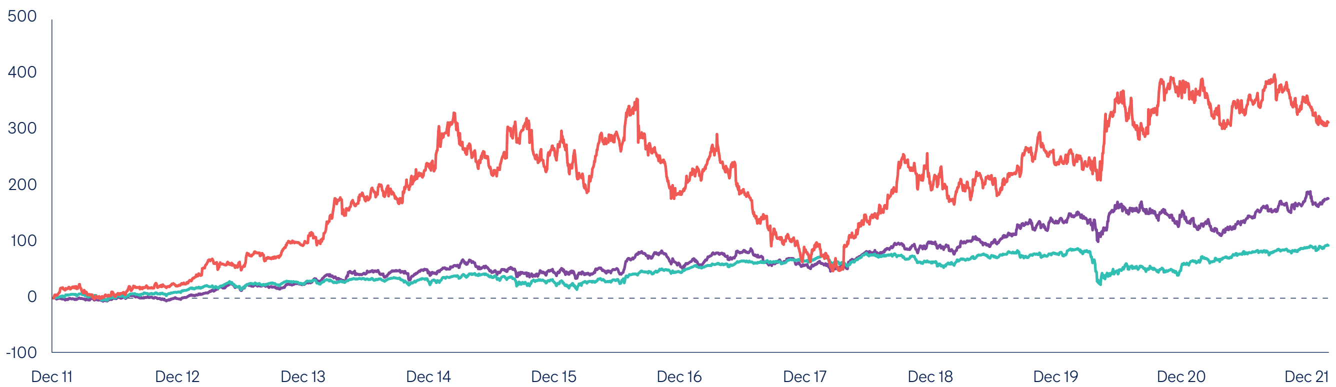
Scheme interests

The following table sets out details of the 'scheme interests' of the Directors. Element B and C of the EIP have been included because they have service conditions in excess of one year.

	Type of interest		Share interests with performance measures		Vested but unexercised
Director	Shares	Share options	Yes	No	
Said Darwazah	167,745	–	81,996	85,749	–
Siggi Olafsson	265,613	–	94,675	170,938	–
Mazen Darwazah	116,560	–	57,312	59,248	–
All other directors	–	–	–	–	–

Total shareholder return

During the last ten years, Hikma performed strongly against its UK peers in Hikma's index (FTSE 100) and sector (FTSE 350 Pharmaceuticals & Biotechnology segment, a relatively small group of companies that are mainly focused on developing new drugs). The Remuneration Committee has chosen these comparators because it uses executive compensation benchmarking data from the FTSE 100 and the pharmaceutical industry when considering compensation for the Executive Directors.



Hikma Pharmaceuticals PLC
FTSE 100
FTSE 350/Pharmaceuticals & Biotechnology

Remuneration table

The following table sets out the total remuneration, including amounts vesting under short-term and long-term incentive plans, for each financial period in respect of the Directors holding the positions of Executive Chairman and Chief Executive Officer. The total figures for the financial years 2017 and 2016 are higher than would otherwise be the case due to a change of incentive plan. In accordance with the Regulations, the 2017 and 2016 totals include LTIPs vesting during the relevant period (which were granted three years before) and Element C of the EIP which was granted in respect of the relevant period. The Regulations require Element C to be treated in a similar way to the annual bonus, although it is an award of shares that will vest three years after grant. The final LTIP awards vested in 2017 and, therefore, do not impact the Share Awards percentage for 2018 onwards.

	Said Darwazah – Executive Chairman			Siggi Olafsson – Chief Executive Officer		
Year	Total	Bonus as % max[1]	Share awards as % max[2]	Total	Bonus as % max[1]	Share awards as % max[2]
2021	**$4,586,119**	**62%**	**67%**	**$5,307,358**	**65%**	**70%**
2020	$4,059,653	73%	77%	$3,718,549	80%	83%
2019	$4,448,934	74%	78%	$4,121,724	78%	82%
2018	$4,501,217	88%	90%	$5,260,957	89%	91%
2017	$3,538,646	0%	0%	N/A	N/A	N/A
2016	$6,308,238	71%	68%	N/A	N/A	N/A
2015	$7,316,042	98%	98%	N/A	N/A	N/A
2014	$5,056,255	100%	70%	N/A	N/A	N/A
2013	$3,956,836	100%	62%	N/A	N/A	N/A
2012	$3,296,000	80%	50%	N/A	N/A	N/A

1. The 'Bonus as % max' column comprises cash under Element A of the EIP paid immediately and shares under Element C of the EIP that are released three years after grant
2. The 'Share awards as % max' column includes Element B of the EIP, shares that vest in two years from the date of grant provided that the Executive remains in employment and forfeiture events have not occurred

Non-Executive Directors (audited)

During the year, the Executive Directors reviewed the fees paid to Non-Executive Directors. The conclusion of the review was that the base fee should be increased by 3.4% to £90,500 (2021: £87,500) and the other fees should remain unchanged (Committee membership fee of £10,000 and Committee Chair and additional responsibility fees of £10,000 (Audit Chair £20,000)). The base fee was last increased in 2020 and other elements were last increased in 2019. The table below details the fees paid to Non-Executive Directors during the year under review and the prior year. Certain Directors joined, retired or changed roles during the periods and their fees have been pro-rated for time served in the relevant position:

		Fee (all elements) £000		Taxable benefits[1] £000		Total £000	
Name	Board position	2021	2020	2021	2020	2021	2020
Robert Pickering[2]	Independent Director	–	103.8	–	0.0	–	103.8
Pat Butler[2]	Senior Independent Director	**107.5**	116.7	**0.0**	0.0	**107.5**	116.7
Dr Pamela Kirby	Remuneration Committee Chair	**107.5**	107.5	**0.0**	0.0	**107.5**	107.5
Ali Al-Husry	Non-Executive Director	**87.5**	87.5	**0.5**	1.6	**88.0**	89.1
Dr Jochen Gann	Non-Executive Director	–	43.8	–	8.8	–	52.5
John Castellani	CRE Committee Chair	**107.5**	107.5	**6.5**	9.7	**114.0**	117.2
Nina Henderson	Independent Director and Employee Engagement Lead	**107.5**	107.5	**6.3**	9.5	**113.8**	117.0
Cynthia Flowers	Independent Director	**97.5**	97.5	**4.1**	6.1	**101.6**	103.6
Douglas Hurt	Audit Committee Chair	**117.5**	66.7	**0.0**	0.0	**117.5**	66.7

1. 'Taxable benefits' includes certain accommodation expenses for Non-Executive Directors that are wholly related to their attendance at Board meetings and are in accordance with normal Hikma expense policy. These expenses are treated as taxable benefits by the UK authorities and, where appropriate, the above figure includes the corresponding tax contribution
2. Pro-rated fees in respect of time served and position changes. Robert Pickering served as Senior Independent Director until 1 December 2020 and retired from the Board on 18 December 2020. Pat Butler served as Audit Committee chair until 1 December 2020, when he became the Senior Independent Director. Douglas Hurt joined the Board on 1 May 2020 and became Chair of the Audit Committee on 1 December 2020

Payments to past Directors (audited)

There were no payments to past Directors during the financial year.

Payments for loss of office (audited)

There were no payments for loss of office during the financial year.

Terms of appointment and service

Service contracts

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

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

The Executive Directors are not appointed for a specified term and, therefore, do not have an outstanding term that requires disclosure.

Letters of appointment

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

Non-Executive Director	Date of appointment	Notice payment
Ali Al-Husry	14 October 2005	1 month
Pat Butler	1 April 2014	1 month
Dr Pamela Kirby	1 December 2014	1 month
John Castellani	1 March 2016	1 month
Nina Henderson	1 October 2016	1 month
Cynthia Flowers	1 June 2019	1 month
Douglas Hurt	1 May 2020	1 month

Hikma complies with the UK Corporate Governance Code requirement that all Directors be subject to annual election by shareholders.

External appointments

Hikma recognises that Executive Directors may be invited to take up non-executive directorships or public sector and not-for-profit appointments, and that these can broaden the experience, network and knowledge of the Director, from which Hikma can benefit. Executive Directors may accept external appointments as long as they do not lead to a conflict of interest and are allowed to retain any fees. During the year under review, Said Darwazah and Mazen Darwazah received fees of $4,100 (2020: $4,100), and $20,700 (2020: $19,250), respectively, relating to external appointments which are detailed in their Director profiles on page 70. The process for controlling external commitments is described in the governance statement on page 76.

Closing statement

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

For and on behalf of the Remuneration Committee

Dr Pamela Kirby
Chair of the Remuneration Committee
23 February 2022

Directors' report

Report of the Directors to shareholders and stakeholders

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021. This report forms the management report for the purposes of the Disclosure and Transparency Rules. Readers are asked to cross refer to the other sections of the Annual Report to the extent necessary to meet Hikma's reporting obligations as follows (statements that are not applicable have been excluded):

- Likely future developments of Hikma: Strategic report and the Business and financial review, pages 1 to 35
- Long-term incentive schemes: Directors' remuneration report, page 107
- Related party transactions: Note 38 to the Group financial statements, page 175
- Going concern statement: Risk management report, page 62
- Long-term viability statement: Risk management report, page 63
- Names and biographical details of the Directors: corporate governance report, pages 70 and 71
- Independence of Non-Executive Directors: corporate governance report, page 75
- Directors' share interests: Directors' remuneration report, pages 89 and 110
- Greenhouse gas emissions: Sustainability report, pages 44 to 52
- Financial instruments and risk: Note 29 to the Group financial statements, pages 161 to 167
- Stakeholder and S.172 Statement, pages 12 to 17
- corporate governance statement including the applicable governance code: pages 74 and 76
- internal control and risk management systems for the financial reporting process: pages 85 and 86
- composition and operation of the administrative, management and supervisory bodies and committees: pages 70 to 73
- diversity policy and its application: pages 69 and 81

For the purposes of Listing Rule 9.8.4, shareholders are directed in accordance with the following table to notes in the Group financial Statements:

Item	Reference
Interest capitalised and associated tax relief	Page 112
Publication of unaudited financial information	None
Details of long-term incentive schemes	See Note 37 on pages 172 to 174
Waiver of emoluments by Directors	None
Allotment of securities for cash, including by major subsidiaries	None
Controlling entities/parent undertakings of Hikma	None
Contracts of significance with a material interest of a Director or controlling shareholders	None
Services provided to Hikma by controlling shareholders	None
Arrangements by which shareholders have agreed to waive current or future dividends	See Note 31 on pages 167 and 168
Controlling shareholder agreements and associated obligations	Hikma does not have any controlling shareholders within the meaning of the Listing Rules

Principal activity

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

Hikma's net sales, gross profit and segmental results are shown by business segment in Note 5 to the Group financial statements on pages 140 and 141.

Results

Hikma's reported profit for the year in 2021 was $420 million (2020: $431 million).

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, approximately 36 pence per share). The proposed dividend will be paid on 28 April 2022 to eligible shareholders on the register at the close of business on 28 March 2022, subject to approval at the Annual General Meeting on 25 April 2022.

Creditor payment policy

Hikma's policy, which is also applied by all subsidiaries and will continue in respect of the 2022 financial year, is to settle terms of payment with all suppliers when agreeing the terms of each transaction and to ensure that we abide by those terms of payment. Trade creditors of Hikma at 31 December 2021 were equivalent to 76 days' purchases (2020: 91 days), based on Group trade payables multiplied by 365, divided by trailing 12 months Group cost of goods sold.

Donations

During the year Hikma made charitable donations of approximately $4.0 million (2020: $6.8 million):

Type of donation	Amount donated in 2020 ($)	**Amount donated in 2021 ($)**
Local charities serving communities in which Hikma operates	2,731,248	763,155
Medical (donations in kind)	4,068,232	3,188,896
Political donations and expenditure	nil	nil
Total	**6,799,480**	**3,952,051**

Hikma's policy prohibits the payment of political donations and expenditure within the meaning of the Act.

Research and development
Hikma's investment in research and development (R&D) during 2021 represented 5.6% of Group revenue (2020: 5.9%). Further details on Hikma's R&D activities can be found on pages 8, 10, 18, 19, 21, 23 and 32.

Interest
The interest capitalised during the year under review was $nil (2020: $nil). The tax impact related to the capitalised interest was $nil (2020: $nil).

Significant contracts
Due to the nature of Hikma's business, members of Hikma are party to agreements that could alter or be terminated upon a change of control of Hikma following a takeover. However, none of these agreements is individually deemed to be significant in terms of its potential impact on the business of Hikma taken as a whole. The Directors are not aware of any agreements between Hikma and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

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

Directors
It is the Board's policy that all Directors should retire and, should the Director wish to continue in office, seek election or re-election on an annual basis. Accordingly, Said Darwazah, Siggi Olafsson, Mazen Darwazah, Patrick Butler, Ali Al-Husry, John Castellani, Nina Henderson, Cynthia Flowers and Douglas Hurt will seek re-election at the AGM.

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

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

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

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

Employee engagement
Nina Henderson undertook the employee engagement activities, as described on page 67. Hikma continued to operate its existing employee engagement mechanisms which include intra-Group communications, social networking, an open door policy for legitimate union representatives and the operation of share incentive arrangements. Hikma does not discriminate against a potential employee on grounds of disability and will make reasonable adjustments to employ and develop disabled people.

Stakeholder engagement
Further information on the Board's engagement with stakeholders is detailed on pages 12 to 17.

Equity
Capital structure
Details of the issued share capital, together with movements in the issued share capital during the year, can be found in Note 31 to the Group financial statements on pages 167 and 168. Hikma has one class of Ordinary Shares of 10 pence each (Shares) which carries no right to fixed income. Each share carries the right to one vote at general meetings of Hikma.

As at 31 December 2021:

Type	Nominal value	In issue	Issued during the year
Shares	10 pence	244,331,288	999,108

During 2021, Hikma issued Ordinary Shares solely pursuant to the exercise of options under the 2005 Long Term Incentive Plan, 2009 Management Incentive Plan, 2018 Management Incentive Plan, and 2014 Executive Incentive Plan.

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

The Directors are not aware of any agreements between holders of Hikma's shares that may have resulted in restrictions on the transfer of securities or on voting rights. No person has any special rights with regard to the control of Hikma's share capital and all issued shares are fully paid.

During 2020, the Company purchased 12,833,233 Shares from Boehringer Ingelheim (the 'Treasury Shares'). The Treasury Shares are held in treasury and, accordingly, do not receive dividends and do not exercise voting rights.

Share buyback
At the Annual General Meeting (AGM) on 23 April 2021, shareholders gave the Directors authority to purchase shares from the market up to an amount equal to 10% of Hikma's issued share capital at that time. This authority expires at the earlier of 30 June 2022 or the 2022 AGM, which is scheduled for 25 April 2022.

Share issuance
At the AGM on 23 April 2021, the Directors were authorised to issue relevant securities up to an aggregate nominal amount of £8,111,072 and to be empowered to allot equity securities for cash on a non-pre-emptive basis up to an aggregate nominal amount of £1,216,660 at any time up to the earlier of the date of the 2022 AGM or 30 June 2022. The Directors propose to renew these authorities at the 2022 AGM for a further year. In the year ahead, other than in respect of Hikma's obligations to satisfy rights granted to employees under its various share-based incentive arrangements, and in relation to the merger reserve reduction that is subject to shareholder approval at the AGM, the Directors have no present intention of issuing any additional share capital of Hikma.

Details of the employee share schemes are set out in Note 37 to the Group financial statements on pages 172 to 174. Any Shares held by the Hikma Pharmaceuticals Employee Benefit Trust (EBT) and are detailed in Note 31 to the Group financial statements on page 168. The EBT has waived its right to vote on any shares it holds and also to its entitlement to a dividend. Other than the shares held by the EBT the Treasury Shares, no other shareholder has waived the right to a dividend.

Annual General Meeting
The AGM of Hikma will be held at Hikma Offices, 5th floor, 1 New Burlington Place, London W1S 2HR on Monday, 25 April 2022, starting at 1.00 p.m. and arrangements are in place for virtual attendance. The Notice convening the meeting is given in a separate document accompanying this document, and includes a commentary on the business of the AGM, explains how shareholders can take part either in person or virtually, and notes to help shareholders exercise their rights at the meeting.

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

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

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

Name of shareholder	Number of shares	Percentage held[1]
Darhold Limited[2]	60,000,000	25.92%
Capital Group International	11,385,712	4.92%
Wellington Management Group LLP	11,556,882	4.99%
BlackRock Group	11,573,836	5.00%

1. The percentages detailed relate to voting rights in the Company. Therefore, the Treasury Shares and shares held by the EBT have been excluded from the denominator for this calculation
2. Said Darwazah, Mazen Darwazah and Ali Al-Husry, each being a Director and shareholder of Hikma, are shareholders and Non-Executive Directors of Darhold Limited. See page 107 for details of their interests in Darhold Limited

Since the year end, BlackRock Group notified the Company that their holding had increased to 11,844,039 representing 5.10% of the voting capital.

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

Post balance sheet events
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 cash consideration of $46 million. Due to the proximity of the completion of the transactions 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 for working capital.

On 23 February 2022, the Board authorised management to undertake a share buyback with a value of up to $300 million. Further details are available in the announcement of the preliminary results which was to be made on 24 February 2022.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). In preparing the Group financial statements, the Directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable UK-adopted international accounting standards and IFRSs issued by IASB have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions list in the Directors' report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards and IFRSs issued by IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, and financial position of the Company; and
- the Annual Report and financial statements includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

Electronic communications

Hikma's preference is to communicate through Hikma's website, rather than in paper form. Shareholders are encouraged to visit the website to access Hikma's Annual Reports and half-year and final results presentations. Shareholders who wish to receive paper communications can elect to do so through Hikma's registrars, Link Asset Services (www.hikmashares.com).

On behalf of the Board

Said Darwazah
Executive Chairman
23 February 2022

Sigurdur Olafsson
Chief Executive Officer
23 February 2022

Financial statements

We deliver accurate, high-quality and timely information to all stakeholders with the utmost integrity and efficiency.

In this section

Independent auditors' report to the members of Hikma Pharmaceuticals PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Hikma Pharmaceuticals PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and Company balance sheets as at 31 December 2021; the consolidated income statement and the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the Group, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the Group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 7, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Our audit included full scope audits of four components, specified procedures on specific financial statement line items of one additional component, central audit procedures on specific financial statement line items of two components and audit procedures performed centrally over specific material balances at locations around the Group. Full scope components account for 72% of consolidated revenue, 73% of the adjusted profit measure we use as a basis for determining materiality and 79% of consolidated total assets.
- This year we have also specifically set out our consideration of the impact of climate change on the audit which is further explained below. As explained in the Sustainability Report, the Group is clearly mindful of its impact on the environment and is focussed on ways to reduce climate related impacts. In planning and executing our audit we have considered the Group's risk assessment process and this, together with discussions with our own sustainability specialists, provided us with a good understanding of the potential impact of climate change on the financial statements. Based on this, we understand that the key impact to the Group could be a potential increase in input costs for energy intensive supplies like APIs and packaging materials due to carbon pricing. This would most likely impact the financial statement line items and estimates associated with future cash flows since the impact of climate change is expected to become more notable in the medium to long term. The key areas impacted include valuation of goodwill and intangible assets and recoverability of the Group's deferred tax assets. We note that management's assessment is that the impact on Hikma is immaterial, nevertheless, while auditing the estimates associated with the forecasts, we have challenged management on reflecting the impact of climate change and any climate change related commitments in the cash flows. We have not identified any matters as part of this work which contradict the disclosures in the Annual Report or lead to any material adjustments to the financial statements.

Key audit matters

- Valuation of goodwill and intangible assets (Group)
- Valuation and accuracy of gross to net rebate and return adjustments in the US (Group)
- Reorganisation of holding companies under Hikma Pharmaceuticals PLC (Company)

Materiality

- Overall Group materiality: $25 million (2020: $24 million) based on approximately 5% of profit before tax after adjusting for all exceptional items and other adjustments except for amortisation of intangible assets other than software.
- Overall Company materiality: $21.6 million (2020: $21.6 million) based on 1% of total assets, capped based on overall Group materiality.
- Performance materiality: $18.75 million (2020: $18 million) (Group) and $16.2 million (2020: $16.2 million) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

'Reorganisation of holding companies under Hikma Pharmaceuticals PLC' is a new key audit matter this year. 'Tax including completeness and valuation of provisions for uncertain tax positions' and 'Impact of COVID-19', which were key audit matters last year, are no longer included because of the reduced level of judgement in respect of uncertain tax positions following simplification of Hikma's tax structure in 2019 and further clarity on the treatment of certain tax matters; and due to the insignificant impact of COVID-19 on business performance and control environment, and the audit process due to well established ways of remote working. Otherwise, the key audit matters below are consistent with last year.

Valuation of goodwill and intangible assets (Group)

Key audit matter	How our audit addressed the key audit matter
At 31 December 2021, the Group had goodwill of $285 million (31 December 2020: $289 million) and intangible assets of $607 million (31 December 2020: $587 million) comprising product-related intangible assets, software and other identified intangible assets such as marketing rights, customer relationships and trademarks. These are contained within four cash generating units (CGUs): Generics, Generic Advair Diskus®, Branded and Injectables. All CGUs containing goodwill and indefinite-lived intangible assets must be tested for impairment annually and finite-life intangible assets are tested when there is an indication of impairment. An impairment is booked when the carrying value exceeds the recoverable amount. Judgement is required in assessing whether an impairment trigger event has happened and there is significant estimation uncertainty in respect of calculating the recoverable value of CGUs and assets to determine whether an impairment charge should be booked. Impairment was determined to be a significant risk for the Generics, Generic Advair Diskus® and Branded CGUs. Additionally, the Group must consider whether there are indicators of impairment reversal at each reporting date. Such indicators are usually the opposite of the indicators of impairment that previously gave rise to the impairment and there is judgement involved in assessing the existence of these impairment reversal indicators. Once indicators for impairment reversal are identified, the determination of recoverable values requires significant estimation on the part of management in determining the higher of the value in use (VIU) and fair value less costs to dispose (FVLCTD) for the relevant individual assets or CGUs. These reversal considerations are relevant to the Generics and Generic Advair Diskus® CGUs in particular due to the impairment recorded in 2017 in relation to these CGUs. During 2021, no impairment has been recorded on a CGU level. Impairment of $23 million was recorded in respect of product related intangibles; a further impairment of $1 million was recorded in respect of other intangible assets. An impairment reversal of $60 million has been recorded on individual marketed product related intangibles, including $46 million in respect of Generic Advair Diskus®. Refer to the Audit Committee review of areas of significant judgement on pages 84-85, significant accounting policies (note 2), critical accounting judgements and key sources of estimation uncertainty (note 3) and goodwill and other intangible assets (note 16) in the Group financial statements.	We assessed the determination of the CGUs identified for the impairment calculation by considering the CGUs previously used as well as from our understanding of the business as it develops and how it is monitored. We conclude that management's determination of four CGUs in 2021 is reasonable. With support from our internal valuations experts we performed the following procedures: – Understood management's process for forecasting cash flows; – Evaluated the appropriateness of the methodology used in the relevant impairment models; – Tested the completeness and accuracy of the models as well as the underlying data used in the models, including reconciling the cash flows to the Board approved plan (which includes the impact of COVID-19 and climate change impact considerations); – Evaluated the significant assumptions used by management in determining future cash flows, including cash flow growth or decline, pricing and profitability, timing and probability of regulatory success for key products; – Our internal valuations experts assessed the reasonableness of the valuation methodology, discount rates, long term growth rate and mathematical accuracy; – We also compared management forecasts to analyst consensus cash flows for the Generics, Injectables and Branded businesses and the Generic Advair Diskus® CGU and challenged management where there were significant differences; – Performed a retrospective comparison of forecasted revenues and costs to actual past performance including challenging management to produce additional analysis on a constant currency basis; and – For the Generic Advair Diskus® CGU and intangible asset valuation, we challenged management's weighting of scenarios within the valuation model based on the expected impact of competition and regulatory updates. Based on our work we determined our own sensitivities and applied these to management's models for each of the four CGUs. We found management's conclusions on the CGUs and indefinite-lived intangible asset impairment assessments to be reasonable, although the headroom on the Generic Advair Diskus® CGU is more sensitive to the key assumptions around growth and discount rates. Additional disclosures have been included by management in accordance with IAS 36. We conclude the analyses performed and disclosed in note 16 of the Group financial statements are reasonable. We also validated the appropriateness of the related disclosures in notes 2 and 3 of the Group financial statements. We also tested management's impairment indicators assessment for finite life intangible assets and found this to be reasonable. For impairment reversal considerations, we audited management's assessment of impairment reversal indicators both at the CGU level (Generics and Generic Advair Diskus®) and at the individual intangible asset level taking into account the conditions in the US generics market and factors relating to Generic Advair Diskus® and consulted with our internal technical accounting experts on the accounting judgements involved. Where indicators for impairment reversal were identified, we tested management's cash flow models for recoverable value in line with our testing over the CGU level models and agreed the cash flows to the Board approved business plan. Based on our procedures, we concluded it was appropriate to reverse $60 million of impairment on specific marketed products which showed discrete and sustained recovery in performance. We consider management's position on not reversing impairment of the Generics CGU to be reasonable based on key judgements disclosed in note 3 to the Group financial statements.

Valuation and accuracy of gross to net rebate and return adjustments in the US (Group)

Key audit matter	How our audit addressed the key audit matter
Management is required to make estimates in respect of revenue recognition and specifically, the level of returns and indirect rebates that will be realised against the Group's revenue. These estimates are complex, material to the financial statements and require significant estimation by Directors to establish an appropriate provision, hence the reason for inclusion as an area of focus. The significant estimates relate to revenue recognition through indirect rebates and returns in the US for which the Group recorded revenue deductions for the year ended 31 December 2021 of $211 million (2020: $174 million). Chargebacks and direct rebates are no longer considered a significant risk due to the lower level of estimation compared to the other categories of provision and to the limited number of misstatements in previous years on this category. The Directors have determined a provision of $196 million to be necessary at 31 December 2021 (2020: $154 million) in respect of indirect rebates and returns. Refer to the Audit Committee review of areas of significant judgement on pages 84-85, significant accounting policies (note 2), critical accounting judgements and key sources of estimation uncertainty (note 3), trade and other receivables (note 21) and other current liabilities (note 27) in the Group financial statements.	Working alongside our US component team, we considered the Group's processes for making judgements in this area and performed the following procedures: – Assessed the revenue recognition policy and tested the operating effectiveness of certain applicable controls in place around this process; – Tested returns, and rebates payments and credit memos throughout the year by agreeing selected transactions back to the underlying source documentation including customer claims and payment information; – Performed analytical procedures over channel inventory for major wholesalers for which data was obtained from a third party service provider; – Developed an independent expectation or tested management's process for the largest elements of the provisions as at 31 December 2021 using assumptions and inputs based on contracted prices and rebate terms, historical rebates, discounts, validated channel inventory levels, and invoices received or payments made, as applicable, subsequent to year-end to validate the provisions. We compared this expectation to the actual provision recognised by the Group; and – Considered the historical accuracy of the Group's estimates in previous years and the effect of any adjustments to prior years' provisions in the current year's results. Based on the procedures performed, we did not identify any material differences between our independent expectations and the provisions recorded. We also evaluated the disclosures in note 2, note 3, note 21 and note 27 of the Group financial statements which we considered appropriate.

Reorganisation of holding companies under Hikma Pharmaceuticals PLC (Company)

Key audit matter	How our audit addressed the key audit matter
In the current year, the holding company structure under Hikma Pharmaceuticals PLC was simplified by liquidating two downstream holding companies and transferring the net assets up to the Company by way of a dividend of $2,179 million primarily via a non-cash intercompany transfer. Following this, the Company wrote down its investment in the intermediate holding subsidiary by $2,222 million. The net impact of the restructuring on the Company was a loss of $43 million with an equivalent decrease in distributable reserves. Refer to investment in subsidiaries (note 4) and profit for the year (note 12) in the Company financial statements.	We inspected the Board minutes for the subsidiaries being liquidated to confirm that the members have resolved to liquidate the companies. We also inspected the Board minutes for the subsidiary paying the dividend to confirm the dividend was appropriately approved. We understood the transaction that was being undertaken and confirmed the treatment was in accordance with the accounting policies and accounting standards. We also verified the journal entries for the liquidation and the dividend payment. We agree with management's write-down of the Company's investment in the intermediate holding company following the Company's receipt of the net assets of the underlying holdings as a dividend, as this represents a valid trigger for impairment. In addition to auditing the accounting entries, we considered the impact on distributable reserves with support from our internal experts to help us validate the impact of the restructuring on the distributable reserves of Company. We did not identify any issues in this regard. Based on the procedures performed we did not identify any material adjustments from the reorganisation.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Procedures were performed prior to year-end to evaluate component auditor procedures and controls, and oversight discussions were undertaken by senior team members with component auditors, to refine the audit approach and ensure sufficient oversight of component auditors. As at 31 December 2021, Hikma Pharmaceuticals PLC had in total 57 subsidiaries and one joint venture as part of the Group. These entities may operate solely in one segment but more commonly operate across two. Each territory (component) submits a Group reporting package to Hikma's central accounting team including its income statement and balance sheet prepared under Group accounting policies which are in compliance with IFRSs. We requested component teams in the US (Hikma USA), Jordan (Hikma Jordan) and Algeria (Hikma Algeria) to audit reporting packages of certain entities in these territories and report the results of their full scope audit work to us. This work was supplemented by a full scope audit of Hikma Pharmaceuticals PLC carried out by the Group engagement team. We also requested our component team in Portugal to perform specified procedures over specific balances in Hikma Portugal. Additionally, procedures were carried out by the Group audit team over specific balances in Hikma International Ventures Limited and Hikma International Pharmaceuticals; and, other procedures were performed centrally on the consolidation, taxation and specific material balances not covered by component auditors. Due to travel restrictions as a result of COVID-19, we have not been able to perform component oversight visits. Nevertheless, we have accordingly increased the frequency of communication with our component teams through conference calls at the planning, execution and completion stages including increasing the involvement from senior team members from both sides. We have attended meetings with local management alongside our component auditors, reviewed selected working papers for all financially significant and material components, attended component audit clearance meetings as part of the interim and year end audit work, and performed other forms of oversight as considered necessary depending on the significance of the component and the extent of accounting and audit issues arising. Full scope components account for 72% of consolidated revenue, 79% of consolidated total assets and 73% of the adjusted profit measure we used as a basis for determining materiality.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	$25 million (2020: $24 million).	$21.6 million (2020: $21.6 million).
How we determined it	Approximately 5% of profit before tax after adjusting for all exceptional items and other adjustments except for amortisation of intangible assets other than software	1% of total assets, but capped at $21.6 million based on overall Group materiality
Rationale for benchmark applied	The Group's principal measure of earnings is core profit. Management believes that it reflects the underlying performance of the Group and is a more meaningful measure of the Group's performance. We took the equivalent reported measure into account in determining our materiality but did not add back certain non-core items unless we deemed them to be non-recurring in nature. Our materiality would have been higher if we had adjusted for all non-core items.	The Company holds the Group's investments and performs treasury functions on behalf of the Group. The strength of the balance sheet is the key measure of financial health that is important to shareholders since the primary focus for the Company is the payment of dividends and servicing of debt.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $5 million and $21.6 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to $18.75 million (2020: $18 million) for the Group financial statements and $16.2 million (2020: $16.2 million) for the Company financial statements.

In determining the performance materiality, we considered a number of factors–the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls–and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1.2 million (Group audit) (2020: $1.2 million) and $1.2 million (Company audit) (2020: $1.075 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- agreeing the underlying cash flow projections to Board approved forecasts, assessing how these forecasts are compiled, and assessing the accuracy of management's forecasts;
- evaluating the key assumptions within management's forecasts;
- considering liquidity and available financial resources;
- considering compliance with covenants in the current year and ability to comply with these at each future covenant reporting date in the going concern period;
- assessing whether the plausible downside scenario prepared by management appropriately considered the principal risks facing the business; and
- evaluating the feasibility of management's mitigating actions in the plausible downside scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Annual report on remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the Directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The Directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to patent protection, product safety (including but not limited to the United States Food and Drug Administration regulations), competition and antitrust laws, pricing practices and legislation, tax legislation, and anti-bribery and corruption legislation (including but not limited to the Foreign Corrupt Practices Act), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and Listing Rules of the Financial Conduct Authority (FCA). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- discussions with management and the Group's legal counsels, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- assessment of matters reported on the Group's whistleblowing hotline and results of management's investigation of such matters;
- challenging assumptions made by management in its significant accounting estimates particularly in relation to estimation of rebate and return provisions and valuation of intangible assets (see related key audit matters above); and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, journals posted by senior management, journals posted and reviewed by the same individual and consolidation journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Annual report on remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 11 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2016 to 31 December 2021.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Darryl Phillips
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
23 February 2022

Consolidated income statement

For the year ended 31 December 2021

	Note	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Revenue	4	**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	9	**(40)**	**(37)**	**(77)**	(47)	(7)	(54)
Other operating income	9	**2**	**60**	**62**	3	77	80
Total operating (expenses)/income		**(669)**	**(50)**	**(719)**	(647)	25	(622)
Operating profit/(loss)	5	**632**	**(50)**	**582**	566	13	579
Finance income	10	**1**	**29**	**30**	9	38	47
Finance expense	11	**(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	12	**(129)**	**5**	**(124)**	(115)	(13)	(128)
Profit/(loss) for the year		**449**	**(29)**	**420**	407	23	430
Attributable to:							
Non-controlling interests	32	**(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)							
Basic	15	**194.8**		**182.3**	172.9		182.6
Diluted	15	**193.1**		**180.7**	171.4		181.1

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	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	26	**(1)**	(1)
Change in investments at fair value through other comprehensive income (FVTOCI)	19	**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

Consolidated balance sheet

At 31 December 2021

	Note	2021 $m	2020 (restated)[1] $m
Non-current assets			
Goodwill	16	**285**	289
Other intangible assets	16	**607**	587
Property, plant and equipment	17	**1,072**	1,009
Right-of-use assets	33	**74**	59
Investments in joint ventures	18	**10**	9
Deferred tax assets	13	**183**	221
Financial and other non-current assets	19	**47**	39
		2,278	2,213
Current assets			
Inventories	20	**695**	757
Income tax receivable		**60**	36
Trade and other receivables[1]	21	**816**	700
Collateralised and restricted cash		**–**	4
Cash and cash equivalents	22	**426**	323
Other current assets[1]	23	**97**	102
		2,094	1,922
Total assets		**4,372**	4,135
Current liabilities			
Short-term financial debts	24	**112**	158
Lease liabilities	33	**9**	10
Trade and other payables	25	**468**	470
Income tax payable		**57**	72
Other provisions	26	**31**	28
Other current liabilities	27	**339**	290
		1,016	1,028
Net current assets		**1,078**	894
Non-current liabilities			
Long-term financial debts	28	**651**	692
Lease liabilities	33	**74**	72
Deferred tax liabilities	13	**24**	31
Other non-current liabilities	30	**140**	164
		889	959
Total liabilities		**1,905**	1,987
Net assets		**2,467**	2,148
Equity			
Share capital	31	**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	32	**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. (see Notes 21 and 23)

The consolidated financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, on pages 124 to 179 were approved by the Board of Directors on 23 February 2022 and signed on its behalf by:

Said Darwazah
Executive Chairman
23 February 2022

Sigurdur Olafsson
Chief Executive Officer

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 (Note 19)	–	–	**–**	2	–	–	**2**	–	**2**
Remeasurement of post-employment benefit obligations (Note 26)	–	–	**–**	(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 (Note 37)	–	–	**–**	27	–	–	**27**	–	**27**
Dividends paid (Note 14)	–	–	**–**	(109)	–	–	**(109)**	(1)	**(110)**
Share buyback (Note 31)	–	–	**–**	(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 (Note 19)	–	–	**–**	14	–	–	**14**	–	**14**
Realisation of revaluation reserve	(3)	–	**(3)**	3	–	–	**–**	–	**–**
Remeasurement of post-employment benefit obligations (Note 26)	–	–	**–**	(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 (Note 37)	–	–	**–**	29	–	–	**29**	–	**29**
Exercise of employees share scheme	–	–	**–**	(1)	1	–	**–**	–	**–**
Dividends paid (Note 14)	–	–	**–**	(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 6 and 16)

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	34	**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	14	**(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	22	**426**	323

Notes to the consolidated financial statements

1. 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 6, 9 and 16).

2. Significant 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 address of the registered office is given on page 188.

The Group's principal activities are the development, manufacturing, marketing and selling of a broad range of generic, branded and in-licensed pharmaceutical 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.

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. (see page 62).

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

2. Significant accounting policies continued

Basis of consolidation
The consolidated financial statements incorporate the results of Hikma Pharmaceuticals PLC (the Company) and entities controlled by the Company (together the Group). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements include:

— the assets and liabilities, results and cash flows of the Company and its subsidiaries (entities that are controlled by the Group, through the power of governing the financial and operating policies to obtain benefits from its activities)
— the Group's share of the results and net assets of joint ventures

All subsidiaries and the Company financial statements consolidated are made up to 31 December each year.

Interests acquired in entities are consolidated from the date the Group acquires control and interests sold are de-consolidated from the date control ceases.

Goodwill is capitalised as a separate item in the case of subsidiaries and as part of the cost of investment in the case of joint ventures and associates.

Transactions and balances between subsidiaries are eliminated and no profit before tax is taken on sales between subsidiaries until the products are sold to customers outside the Group.

Transactions with non-controlling interests are recorded directly in equity.

Deferred tax relief on unrealised intra-group profit is accounted for only to the extent that it is considered recoverable.

Business combinations
The acquisition of subsidiaries is accounted for using the acquisition method. All identifiable assets, liabilities and contingent liabilities acquired are measured at fair value on the acquisition date. All acquisition related costs are recognised in the consolidated income statement as incurred.

The consideration is measured at the aggregate fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, at the acquisition date. Where applicable, this consideration may include the fair value of assets or liabilities resulting from a contingent consideration arrangement.

Contingent consideration classified as an asset or liability is a financial instrument and, within the scope of IFRS 9 'Financial Instruments', is measured at fair value, with changes in fair value recognised in the consolidated income statement in line with IFRS 9.

Subsequent changes to those fair values can only affect the measurement of goodwill, where they occur during the 'measurement period' and are as a result of additional information becoming available about facts and circumstances that existed at the acquisition date. All other changes are dealt with in accordance with relevant IFRSs. This will usually mean that changes in the fair value of consideration are recognised in the consolidated income statement.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control). The resulting gain or loss, if any, is recognised in the consolidated income statement.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the aggregate of consideration, non-controlling interest and fair value of previously held equity interest over the fair values of the identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and acquired contingent liabilities exceeds the cost of the consideration, the excess is recognised immediately in the consolidated income statement.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and acquired contingent liabilities recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Investments in joint ventures
Joint ventures are entities that the Group has the ability to exercise joint control over their economic activities and net assets.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, where the investments are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and acquired contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any impairment charges are recognised immediately in the consolidated income statement.

Where a Group entity transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture. The aggregate of Group's share of profit or losses after tax of joint ventures is shown on the face of the consolidated income statement below operating profit and represents profit after tax.

2. Significant accounting policies continued

Foreign currencies
Foreign currency transactions, being transactions denominated in a currency other than an individual Group entity's functional currency, are translated into the relevant functional currencies of individual Group entities at average rates for the relevant monthly accounting periods, which approximate to actual rates. Monetary assets and liabilities arising from foreign currency transactions are retranslated at exchange rates prevailing at the reporting date. Exchange gains and losses on loans and on short-term foreign currency borrowings and deposits are included within finance income and expense. Exchange differences on all other foreign currency transactions are recognised in operating profit in the individual Group entity's accounting records. Non-monetary items arising from foreign currency transactions are not retranslated in the individual Group entity's accounting records. In the Consolidated Financial Statements, income and expense items for Group entities with a functional currency other than US dollars are translated into US dollars at average exchange rates, which approximate to actual rates, for the relevant accounting periods. Assets and liabilities are translated at the US dollar exchange rates prevailing at the reporting date.

Exchange differences arising on consolidation are recognised in the consolidated statement of other comprehensive income. On the disposal of foreign operation entities, the accumulated foreign exchange gains/losses are reclassified from OCI to the consolidated income statement.

Hyperinflationary economies
In hyperinflationary economies, when translating the results of operations into US dollars, assets, liabilities, income statement and equity accounts are translated at the rate prevailing on the balance sheet date. In territories where there are restrictions on the free access to foreign currency or multiple exchange rates, the applicable rates of exchange are regularly reviewed. Lebanon and Sudan were considered to be hyperinflationary economies in the year ended 31 December 2021 at which date the prevailing rates were 436.28 Sudanese pound per US dollar and 1,507.5 Lebanese pound per US dollar. Any gain or loss on net monetary asset/liability is recognised in the consolidated income statement. The effect of inflation on non-monetary asset/liability is recognised in other comprehensive income within equity.

Revenue recognition
Under IFRS 15 revenue is recognised in the consolidated income statement when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer.

The Group manufactures certain medicines on behalf of some customers. The revenue from providing contract manufacturing services is recognised when these medicines are approved by the quality control department. There is no alternative use of these medicines and also the Group has enforceable right to payments once these medicines are quality approved.

The Group has generally concluded that it acts as principal in its revenue arrangements because it typically controls the goods before the transfer to the customer.

Revenue represents the amounts receivable after the deduction of discounts, value added tax, other sales taxes, allowances given, provisions for chargebacks and accruals for estimated future rebates, returns and price adjustments. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and historical information.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Variable consideration
The ultimate net selling price is calculated using variable consideration estimates for certain gross to net adjustments.

Chargebacks
The provision for chargebacks is the most significant and complex estimate used in the recognition of revenue. In the US, the Group sells its products directly to wholesale distributors, generic distributors, retail pharmacy chains and mail-order pharmacies. The Group also sells its products indirectly to independent pharmacies, managed care organisations, hospitals, and group purchasing organisations, collectively referred to as 'indirect customers'. The Group enters into agreements with its indirect customers to establish pricing for certain products. The indirect customers then independently select a wholesaler from which they purchase the products at agreed-upon prices. The Group will provide credit to the wholesaler for the difference between the agreed-upon price with the indirect customer and the wholesaler's invoice price. This credit is called a chargeback. The provision for chargebacks is based on historical sell-through levels by the Group's wholesale customers to the indirect customers, and estimated wholesaler inventory levels. As sales are made to large wholesale customers, the Group continually monitors the reserve for chargebacks and makes adjustments when it believes that actual chargebacks may differ from estimated reserves (see Note 21 for chargebacks sensitivity analysis).

Returns
The Group has a product return policy that allows customers to return the product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognised as a reduction of revenue in the period in which the underlying sales are recognised.

The Group estimates its provision for returns based on historical experience, representing management's best estimate. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Group continually monitors the provisions for returns and makes adjustments when it believes that actual product returns may differ from established reserves (see Note 27 for return sensitivity analysis).

Rebates
In the US, rebates are granted to wholesaler distributors and direct customers. Rebates are also granted to healthcare authorities and under contractual arrangements with certain indirect customers. Products sold in the US are covered by various programmes (such as Medicaid) under which products are sold at a discount.

The Group estimates its provision for rebates based on current contractual terms and conditions as well as historical experience, changes to business practices and credit terms. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future rebate liabilities. The Group continually monitors the provisions for rebates and makes adjustments when it believes that actual rebates may differ from established reserves. All rebates are recognised in the period in which the underlying sales are recognised as a reduction of revenue (see Notes 21 and 27 for rebates sensitivity analysis).

2. Significant accounting policies continued

Performance obligation

Free goods

Free goods are issued to certain customers as an alternative to discounts. Under IFRS 15 these free goods give rise to a separate performance obligation, which requires management to allocate the transaction price to the original goods and the related free goods. Revenue for free goods is recognised when they are transferred to the customer and a contract liability is recognised for the performance obligations that will be satisfied in the future.

Share-based payments

At the Company's discretion and subject to the achievement of Group and personal performance criteria in the prior year, employees (including Executive Directors) of the Group receive performance based remuneration in the form of share-based payments, whereby employees render their services in exchange for shares or rights over shares (equity-settled transactions) under either the 2014 Executive Incentive Plans (EIP) or the 2009 and 2018 Management Incentive Plan (MIP). Refer to Note 37 for more details.

IFRS 2 'Share-Based Payments' requires an expense to be recognised when the Group buys goods or services in exchange for shares or rights over shares (share-based payments) or in exchange for other equivalent assets.

The cost of share-based payments' transactions with employees is measured by reference to the fair value at the date at which the share-based payments are granted. The fair value of the EIP and MIP are determined based on Black-Scholes methodology for nil-cost options using the share price as at the date of grant discounted by dividend yield. No account is taken of any performance conditions.

The cost of share-based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the year of performance and the vesting period after the grant date based on the Group's estimate of cost of equity instruments that will eventually vest. The Group revises its estimate of the number of equity instruments expected to vest and the impact of the revision of the original estimates, if any, is recognised in the consolidated income statement, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The dilutive effect of outstanding share-based payments is reflected as additional share dilution in the computation of diluted earnings per share.

Retirement benefit costs

- Payments made to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme. (Note 40)
- In certain countries and entities, the Group has post-employment defined benefit plans. Accordingly, valuations of the obligations under those plans are carried out and any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement gains or losses in other comprehensive income. Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in the consolidated income statement as past service costs
- End of service payments are provided for based on employees' final salaries and allowances and their cumulative years of service. (Note 26)

Dividend income

Income from investments is recognised when the shareholders' rights to receive payment have been established.

Leases

In accordance with IFRS 16, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets:

- Right-of-use assets: The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain of obtaining ownership of a leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right of use of assets are depreciated on a straight-line basis at the following depreciation rates:

Buildings	4% to 50%
Machinery and Equipment	20% to 33%
Vehicles	13% to 50%

- Lease liabilities: at the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option, payments for optional extension periods and payments of penalties for terminating a lease when these options are reasonably certain to be exercised by the Group. The discount rate used to calculate the lease liabilities is the incremental borrowing rate (IBR). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit profile)
- Short-term leases and leases of low-value assets: the Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (ie those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below $5,000). Lease payments on short term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term

2. Significant accounting policies continued

Taxes

The Group provides for income tax according to the laws and regulations prevailing in the countries where the Group operates. Furthermore, the Group computes and records deferred tax assets and liabilities according to IAS 12 'Income Taxes'.

The tax expense represents the sum of the current tax in the current period and deferred tax.

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities within one year.

The current tax incurred in the period is based on taxable profit for the year and prior year movement accounted for in the current year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's tax incurred is calculated using tax rates that have been enacted or substantively enacted by the consolidated balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the consolidated balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences will reverse. To the extent the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, no deferred tax is provided.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Uncertain tax position

In line with IFRIC 23, if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter.

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 6 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%

2. Significant accounting policies continued

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

Property, plant and equipment

Property, plant and equipment have been stated at cost on acquisition and are depreciated on a straight-line basis except for land at the following depreciation rates:

Buildings	2% to 33%
Machinery and equipment	5% to 25%
Vehicles, fixtures and equipment	8% to 33%

A unit of production method of depreciation is applied to operations in their start-up phase, as this reflects the expected pattern of consumption of the future economic benefits embodied in the assets. When these assets are fully utilised, a straight-line method of depreciation is applied.

Projects under construction are not depreciated until construction has been completed and assets are considered ready for use.

Any additional costs that extend the useful life of property, plant and equipment are capitalised.

Whenever the recoverable amount of an asset is impaired, the carrying value is reduced to the recoverable amount and the impairment loss is taken to the consolidated income statement. Projects under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

2. Significant accounting policies continued

Impairment of property, plant and equipment and intangible assets

At the same time each year, the Group carries out an impairment review for goodwill and intangible assets that are not yet ready for use. At the year end, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets that are subject to depreciation and amortisation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs to sell and value in use (VIU). In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit (CGU)) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

When an impairment loss for the asset, other than goodwill, subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. However, the increased carrying amount should not exceed the carrying amount that would have been determined had there been no impairment in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets' or CGU's 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. Such reversal is recognised in the consolidated income statement. In line with IAS 36, previously recognised impairment losses on goodwill are not reversed, see Note 16.

The Group's goodwill and intangible assets are tested as follows:

(a) Goodwill is allocated to each of the Group's cash-generating units. These cash-generating units are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The assumptions used and sensitivity analysis in the impairment tests are set out in Note 16

(b) Intangible assets that are not yet ready for use are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

Inventories

Inventories are stated at the lower of cost and net realisable value. Purchased products are stated at acquisition cost including all additional attributable costs incurred in bringing each product to its present location and condition. The costs of own-manufactured products comprise direct materials and, where applicable, direct labour costs and any overheads that have been incurred in bringing the inventories to their present location and condition. In the consolidated balance sheet, inventory is primarily valued at historical cost determined on a moving average basis, and this value is used to determine the cost of sales in the consolidated income statement. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs necessary to make the sale. Inventory related provisions are made when net realisable value is lower than cost, and for slow moving and short dated inventory.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand and highly liquid investments with maturities within three months or less. Money market deposits comprise investment in funds at FVTPL that are subject to insignificant risk of changes in fair value and can be readily converted into cash.

2. Significant accounting policies continued

Financial instruments
Financial assets and financial liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets
The Group classifies its financial assets in the following measurement categories:

(i) Financial assets at FVTPL
Listed shares, debt instruments and investment portfolios held by the Group that are traded in an active market are classified as being financial assets at FVTPL and are stated at fair value. Gains and losses arising from changes in fair value are recognised in the consolidated Income Statement, see Note 23.

(ii) Financial assets at FVTOCI
The Group's investments held by its venture capital subsidiaries are stated at FVTOCI with no recycling of cumulative gains or losses upon de-recognition. Investments in unlisted shares are measured at cost minus any impairment and adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer under level 3 valuation. For investments in listed shares, fair value is readily determinable under level 1 valuation, see Notes 19 and 29.

(iii) Financial assets at amortised cost
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'financial assets at amortised cost'. These financial assets are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit loss. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities
Financial liabilities are classified in two categories: financial liabilities at FVTPL or financial debts representing loans and borrowings. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

(i) Financial liabilities at FVTPL
The Group currently has two financial liabilities at FVTPL as below:

— co-development and earn out payment agreements with third parties where the Group earns milestone payments reflecting the achievement of research and development; and commercialisation milestones. Those payments are recognised as financial liabilities once received
— contingent consideration arising from the Columbus business acquisition represent contractual liabilities to make payments to third parties in the form of milestone payments that are dependent on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products

Financial liabilities at FVTPL are revalued at the end of each reporting period to represent the value of expected future cash outflows and the difference is presented as finance cost/income. These financial liabilities are currently booked under other non-current liabilities and other current liabilities in the consolidated balance sheet. (Note 27 and 30)

(ii) Financial debts
Financial debts are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest method.

The effective interest method is used for calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The calculation of effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

2. Significant accounting policies continued

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

Own shares
— The Group provides finance to the trustee of the Employee Benefit Trust (EBT) which is Link Market Service Trustee Limited to purchase shares to satisfy long-term commitments arising from the employee share plan operated by the Company. These shares are deducted from equity. (Note 31)
— Treasury shares and any direct expenses associated with them are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. (Note 31)

Cash dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Company. In accordance with the laws of the United Kingdom, a final dividend is recognised when it is approved by the majority of shareholders and an interim dividend is recognised when it is paid.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group's Directors believe that the following accounting policies that involve Directors' judgements and estimates are the most critical to understanding and evaluating the Group's financial results.

Revenue recognition estimate (Notes 4 and 5)
The Group's revenue recognition policies require Directors to make estimates of the net selling price, which is made complicated due to chargebacks, product returns and rebates. These arrangements vary by product arrangement and buying group. Refer to Note 2 for more details on each of the underlying estimates, and Notes 21 and 27 for sensitivity analysis.

Goodwill and intangible assets – impairment testing
CGUs (Note 16)
Testing for impairment of goodwill and other assets included within a cash generating unit (CGU) to establish the appropriate valuation of the CGU. The valuation used for comparison to the carrying value of the net assets of the CGU requires the following key judgements and estimates:

Critical judgement
— Determination of the CGU
— For reversal assessment of the Generics CGU, the Group assessed the events that indicated the impairment booked in 2017 and concluded that such indicators still existed, namely pricing pressures in the market, the increasing number of generic products and delays to approvals of more complex products. The existing valuation headroom above the carrying value of the Generics CGU has predominantly been created by marketed and pipeline products that were not reflected in the Group's plans at the time that the original impairment was booked, and as such did not reflect a reversal of the initial impairment indicators

Critical estimates
— Estimating a five-year business plan for the purposes of forecasting free cash flows involves forecasting appropriate sales and operating expenses taking into consideration both internal and external information
— Estimating future capital expenditures and working capital requirements over the five-year period
— Estimating a discount rate that appropriately reflects the Group's weighted average cost of capital as adjusted for specific risk premiums reflecting risks inherent in achieving the projected future cash flows
— Estimating an appropriate terminal growth rate beyond the forecast period

Product related intangibles (Note 16)
Valuing intangible assets upon initial recognition as at the acquisition date and testing for impairment require the following judgements and estimates:

Critical judgement
— For pipeline products, establishing the launch date and probability of a successful product approval are critical judgements
— Determining whether an impairment indication has occurred for intangible assets. In such case the Group first assesses the qualitative factors to determine whether it is more likely than not that the fair value of the intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test
— For previously impaired assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased, if such indication exists, the Group estimates the asset's or CGU's recoverable amount. Refer to Notes 2 and 16 for more details

Critical estimates
— Estimating revenue forecasts (including market size, estimated expected market share, number of competitors and net selling prices)
— Estimating the expected economic useful lives of the product-related intangibles
— Estimating the sales and the allocation of marketing, research and development and other operating costs to the individual product-related intangibles
— Estimating a contributory asset charge (on working capital, fixed assets and workforce)
— Estimating a discount rate and specific risk premiums

Contingent consideration (Notes 27, 29 and 30)
The determination of the fair value of contingent consideration is based on discounted cash flows. The critical estimates and judgements taken into consideration for contingent consideration fair valuation are the same as applied for forecasting revenue of launched and pipeline products described in 'Product related intangibles' above. (See Note 29 for sensitivity analysis)

3. Critical accounting judgements and key sources of estimation uncertainty continued

Taxation (Notes 12 and 13)

Key sources of estimation uncertainty

The Group has made the following key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Recognition of deferred tax assets (Note 13)

The recognition of deferred tax assets is based on the current forecast of taxable profits arising in the jurisdiction in which the deferred tax asset arises. A deferred tax asset is recognised to the extent that there are forecast taxable profits within a reasonable period.

This exercise is reviewed each year and, to the extent forecasts change, an adjustment to the recognised deferred tax asset may be made.

Recognition of deferred tax assets is driven by the Group's ability to utilise the deferred tax asset which is reliant on forecast taxable profits arising in the jurisdiction in which losses are incurred.

Tax audit risk

In common with most international organisations, the Group is subject to audit from revenue authorities from time to time. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made, management provides for its best estimate of the liability. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as new facts emerge and each dispute progresses. Hikma continues to invest in its financial systems to ensure the quality of the Group's financial data which reduces the risk of an adverse revenue authority audit. Furthermore, Hikma continues to believe that it has made adequate provision for the liabilities likely to arise from open assessments and audits. Where open issues exist, the ultimate liability for such matters may vary from the amounts provided and is dependent upon the outcome of negotiations with the relevant tax authorities or, if necessary, litigation proceedings.

Other risks

In addition to tax audits, the Group faces other potential tax risks that could affect the sustainability of the Group's effective tax rate. The main risks are noted below. Hikma regularly takes professional advice to ensure the risks mentioned below are appropriately analysed and managed with any ultimate potential liability being adequately provided.

Transfer pricing risk

The transfer pricing risk can arise from a difference in view over the pricing of cross-border, intercompany product sales and services and of sales of assets. The standard by which most authorities, and the Group, assess the transfer price is whether it is set at arm's length. An upward adjustment by the tax authority of one territory will not necessarily result in the downward adjustment by the other territory, potentially leading to an increased estimated tax cost through a mismatch of tax deductions and taxable income, as well as a potential increase arising out of a rate arbitrage. The Group has considered the risk in detail and has provided for potential tax adjustments so does not believe that any adjustment will materially impact the rate going forward.

Valuation risk

As part of a reorganisation following the Columbus business acquisition in 2016 and the 2019 business restructuring, certain assets and liabilities were transferred intra-Group with external valuations obtained. If these valuations are successfully challenged by relevant tax authorities, it could adversely impact the tax recorded on the reorganisation.

Sensitivity (Note 12)

Where an uncertain tax position arises, the Group will assess what the probable outcome will be, assuming the relevant tax authority has full knowledge of the situation. Where it is assessed that an exposure will give rise to an uncertain tax position, a provision is booked for the best estimate of the liability in line with IFRIC 23 principles. Hikma continues to re-evaluate existing uncertain positions to determine if a change in facts and circumstances has occurred that would make it necessary to adjust.

Contingent liabilities

Legal contingent liabilities

The promotion, marketing and sale of pharmaceutical products and medical devices is highly regulated and the operations of market participants, such as Hikma, are closely supervised by regulatory authorities and law enforcement agencies, including the FDA and the US Department of Justice. As a result, the Group is subject to certain investigations by governmental agencies, as well as other various legal proceedings considered typical to its business relating to employment, product liability and commercial disputes. (see Note 36)

The critical areas of judgement in relation to contingent liabilities are as follows:

- a possible obligation depending on whether some uncertain future event occurs in relation to legal proceedings and/or governmental agencies investigations
- a present obligation but payment is not probable where Hikma denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defence of legal proceedings
- a present obligation but the amount cannot be measured reliably

Tax contingent liabilities

Due to the Group operating across a number of different tax jurisdictions, it is subject to periodic challenge by local tax authorities on a range of tax matters arising in the normal course of business. These challenges generally include transfer pricing arrangements, other international tax matters and the judgemental interpretation of local tax legislation.

4. Revenue from contracts with customers

Business and geographical markets

The following tables provide an analysis of the Group's reported revenue 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 21)	781	662
Contract assets (Note 23)	–	3
Contract liabilities (Note 27)	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.

5. 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 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $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 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $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

Branded	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $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 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $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

5. Business segments continued

Group	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Segment result	724	(50)	674	664	13	677
Unallocated expenses[1]	(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

1. 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[2] 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

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

6. 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 2, 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)

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 16)
- Impairment of product related intangibles: $24 million impairment charge of different product related intangibles due to a decline in performance and forecasted profitability (Note 16)
- 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 (Notes 27, 29 and 30)
- 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 (Notes 27, 29 and 30)

6. Exceptional items and other adjustments continued

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 (Notes 9 and 17)
- 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 16)
- 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 (Notes 27, 29 and 30)
- 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 (Notes 27, 29 and 30)

7. Audit remuneration

The Group auditor's remuneration on a worldwide basis is as below:

	2021 $m	2020[1] $m
Fees to the auditor for the audit of the annual accounts	1.4	1.0
Fees to the auditor and its associates for the audit of the Group's subsidiaries	1.9	1.9
Total audit fees	3.3	2.9
Audit related assurance services[2]	0.2	0.2
Other non-audit fees	–	0.2
Total audit and non-audit fees	3.5	3.3

1. Amounts have been restated to reflect final amounts billed in relation to 2020
2. Assurance services relate to review procedures in respect to the interim financial information

In 2020, non-audit fees of $0.2 million were charged relating to a bond offering.

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 83 to 86 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

8. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2021 Number	2020 Number
Production	4,924	4,918
Sales, general and administration	3,273	3,282
Research and development	506	481
	8,703	8,681

	2021 $m	2020 $m
Aggregate remuneration comprised:		
Wages, salaries and bonuses	407	392
Social security costs	38	39
Post-employment benefits	15	14
End of service indemnity	9	9
Share-based payments (Note 37)	29	27
Car and housing allowances	22	21
Health insurance	41	36
Other costs and employee benefits	22	22
	583	560

9. Other operating income/expenses

Other operating expense	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Impairment charge of intangible assets	–	24	24	11	4	15
Intangible assets write-down	–	13	13	–	–	–
Impairment charge of property, plant and equipment	1	–	1	3	3	6
Loss on disposal/damage of property, plant and equipment	1	–	1	2	–	2
Forex and net monetary hyperinflation losses, net	36	–	36	30	–	30
Others	2	–	2	1	–	1
	40	37	77	47	7	54

Exceptional items and other adjustments comprise $24 million impairment charge in relation to certain product related intangible assets and $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. In 2020, exceptional items and other adjustments comprised $4 million impairment charge in relation to certain product related intangible assets in addition to $3 million write off of property, plant and equipment (Notes 6, 16 and 17).

Other operating income	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Impairment reversal of intangible assets	–	60	60	–	66	66
Others	2	–	2	3	11	14
	2	60	62	3	77	80

Exceptional items and other adjustments represent $60 million (2020: $66 million) impairment reversal in relation to certain product related intangible assets (Notes 6 and 16).

In 2020, the other operating income of $14 million mainly comprised $11 million for insurance compensation related to a fire incident.

10. Finance income

	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Interest income	1	–	1	7	–	7
Remeasurement of contingent consideration (Notes 27, 29 and 30)	–	29	29	–	38	38
Other finance income	–	–	–	2	–	2
	1	29	30	9	38	47

11. Finance expense

	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $m	2020 Reported results $m
Interest on bank overdrafts and loans	21	–	21	22	–	22
Interest on Eurobond	18	–	18	15	–	15
Unwinding and remeasurement of contingent consideration and other financial liabilities (Notes 27, 29 and 30)	–	13	13	–	15	15
Other bank charges	13	–	13	13	–	13
Lease accretion of interest	4	–	4	4	–	4
	56	13	69	54	15	69

12. Tax

	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $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 (Note 13)						
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.

12. Tax continued

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 6)	–	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.

13. Deferred tax

Certain deferred tax assets and liabilities have been appropriately offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 December 2021 $m	2020 $m
Deferred tax liabilities	(24)	(31)
Deferred tax assets	183	221
	159	190

The below table represents the deferred tax movement in 2021:

	Product related provision $m	Intangible assets $m	Other provisions and accruals $m	Unremitted earnings $m	Others $m	Total $m
1 January 2021	111	76	18	(11)	(4)	190
Credit/(charge) to income	(17)	–	(6)	3	(10)	(30)
Currency translation (loss) and hyperinflation impact	–	1	–	–	(2)	(1)
At 31 December 2021	**94**	**77**	**12**	**(8)**	**(16)**	**159**

The below table represents the deferred tax movement in 2020:

	Product related provision $m	Intangible assets $m	Other provisions and accruals $m	Unremitted earnings $m	Others $m	Total $m
1 January 2020	96	99	20	(7)	15	223
Credit/(charge) to income	15	22	(1)	(4)	(17)	(29)
Currency translation (loss) and hyperinflation impact	–	(1)	(1)	–	(2)	(4)
At 31 December 2020	**111**	**76**	**18**	**(11)**	**(4)**	**190**

The Group has a potential deferred tax asset of $234 million (2020: $258 million), of which $183 million (2020: $221 million) has been recognised.

No deferred tax asset has been recognised on gross temporary differences totalling $208 million (2020: $171 million) mainly due to the unpredictability of the related future profit streams. $194 million (2020: $168 million) of these gross temporary differences relate to losses, of which $186 million are UK losses that don't expire. No deferred tax is recognised against the losses due to significant uncertainty regarding future taxable income forecasts in the relevant jurisdictions. $3 million of non-UK losses are expected to expire in 2022. The remaining $14 million represent other unrecognised gross short term temporary differences that relate to multiple jurisdictions.

During the year a reduction in the deferred tax liability has been recognised on temporary differences relating to the unremitted earnings of overseas subsidiaries of $3 million (2020: addition of $4 million). No deferred tax liability has been recognised on the remaining unremitted earnings of $207 million (2020: $239 million), as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

The Group has adjusted the classification of $11 million to better reflect the nature of deferred tax balances, this has been included in the current year movement under "credit/(charge) to income" and did not result in any impact on the consolidated balance sheet. Deferred taxes on intangible assets relate to differences between the tax deductions and the book deductions for intangible assets.

14. 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.

15. 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 6) $m	2021 Reported results $m	2020 Core results $m	2020 Exceptional items and other adjustments (Note 6) $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:

Number of shares	2021 Number m	2020 Number m
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 (Note 31)

	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

16. 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.

16. Goodwill and other intangible assets continued

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 $m	2020 $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) 2021	2020	Pre-tax discount rate 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%

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16. Goodwill and other intangible assets continued

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 (see page 50). 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.

16. Goodwill and other intangible assets continued

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.

17. Property, plant and equipment

Cost	Land and buildings $m	Machinery and equipment $m	Vehicles, fixtures and equipment $m	Projects under construction[1] $m	Total $m
Balance at 1 January 2020	**597**	**685**	**125**	**233**	**1,640**
Additions	6	20	8	136	170
Disposals	(4)	(34)	(7)	–	(45)
Transfers	28	83	3	(114)	–
Translation adjustment	9	7	1	–	17
Balance at 1 January 2021	**636**	**761**	**130**	**255**	**1,782**
Additions	18	17	7	104	146
Disposals	(3)	(10)	(6)	(10)	(29)
Transfers	28	39	8	(75)	–
Translation adjustment	(3)	(11)	(1)	(3)	(18)
Balance at 31 December 2021	**676**	**796**	**138**	**271**	**1,881**
Accumulated depreciation and impairment					
Balance at 1 January 2020	**(199)**	**(420)**	**(96)**	**(13)**	**(728)**
Charge for the year	(18)	(36)	(17)	–	(71)
Disposals	4	32	7	–	43
Impairment	(2)	(4)	–	–	(6)
Translation adjustment	(4)	(6)	(1)	–	(11)
Balance at 1 January 2021	**(219)**	**(434)**	**(107)**	**(13)**	**(773)**
Charge for the year	(15)	(39)	(17)	–	(71)
Disposals	3	8	7	10	28
Impairment	(1)	–	–	–	(1)
Translation adjustment	1	7	–	–	8
Balance at 31 December 2021	**(231)**	**(458)**	**(117)**	**(3)**	**(809)**
Carrying amount					
At 31 December 2021	**445**	**338**	**21**	**268**	**1,072**
At 31 December 2020	417	327	23	242	1,009

1. Accumulated depreciation and impairment balance at 1 January 2020 of $13 million within projects under construction relates to previous years impairment charges

Land is not subject to depreciation.

As at 31 December 2021, the Group had pledged property, plant and equipment with a carrying value of $8 million (2020: $9 million) as collateral for various long-term loans. This amount includes specific items in the net property, plant and equipment of the Group's businesses in Tunisia (2020: Tunisia).

Depreciation of $50 million (2020: $57 million) is included in the cost of sales, $16 million (2020: $10 million) in selling general and administrative expenses and $5 million (2020: $4 million) in research and development expenses.

As at 31 December 2021, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $33 million (2020: $60 million).

As at 31 December 2021, the Group booked an impairment charge of $1 million (2020: $6 million impairment charge, $3 million was considered as exceptional item related to property, plant and equipment write off) (Notes 6 and 9).

18. Investments in joint ventures

The Group's share in Hubei Haosun Pharmaceutical Co Ltd (China) was 49% at 31 December 2021 (31 December 2020: 49%) with an investment balance of $10 million at 31 December 2021 (31 December 2020: $9 million) and share of the profit for the year ended 31 December 2021 of $1 million (2020: $nil).

Below table represent investment in joint ventures movement during the year.

	For the year ended 31 December 2021 $m	For the year ended 31 December 2020 $m
Balance at 1 January	**9**	11
Group's share of profit of joint ventures	**1**	–
Liquidation of HikmaCure	**–**	(2)
Balance at 31 December	**10**	9

Summarised financial information in respect of the Group's interests in Hubei Haosun Pharmaceuticals Co Ltd is set out below:

	As at 31 December 2021 $m	As at 31 December 2020 $m
Total assets	**24**	19
Total liabilities	**(6)**	(2)
Net assets	**18**	17
Group's share of net assets of joint ventures	**9**	8

	For the year ended 31 December 2021 $m	For the year ended 31 December 2020 $m
Total revenue	**8**	6
Net profit	**1**	1
Group's share of profit of joint ventures	**1**	–

19. Financial and other non-current assets

	As at 31 December 2021 $m	2020 $m
Investments at FVTOCI	**36**	25
Other non-current assets	**11**	14
	47	39

Investments at FVTOCI include eight investments through the Group's venture capital arm, Hikma International Ventures and Developments LLC and Hikma Ventures Limited, which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category.

During the year, the venture arm sold one of its investments, invested in two new companies and increased investment in four ventures. One of the investments is a listed company with a readily determinable fair value that falls under level 1 valuation (Note 29). Its value is measured at the share price market value. The other investments are unlisted shares without readily determinable fair values that fall under level 3 valuation (Note 29), their value is measured at cost minus any impairment, and adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

In 2021, total change in fair value was a gain of $14 million (2020: $2 million) recognised in the other comprehensive income.

Other non-current assets mainly represent long term receivables and a sublease arrangement in the US.

20. Inventories

	As at 31 December 2021 $m	2020 $m
Finished goods	245	283
Work-in-progress	92	95
Raw and packing materials	373	394
Goods in transit	24	44
Spare parts	38	33
Provision against Inventory[1]	(77)	(92)
	695	757

1. The cost of inventory related provision recognised as an expense in the cost of sales in the consolidated income statement was $48 million (2020: $57 million).

Inventories are stated net of provision as follows:

	As at 1 January $m	Additions $m	Utilisation $m	Translation adjustments $m	As at 31 December $m
Provisions against inventory in 2021	92	48	(62)	(1)	77
Provisions against inventory in 2020	85	57	(50)	–	92

21. 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. (see Note 23)

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

21. Trade and other receivables continued

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

More details on the Group's policy for credit and concentration risk are provided in Note 29.

At 31 December 2021, the provision balance relating to chargebacks was $201 million (2020: $184 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). 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).

22. Cash and cash equivalents

	As at 31 December 2021 $m	2020 $m
Cash at banks and on hand	155	85
Time deposits	249	203
Money market deposits	22	35
	426	323

Cash and cash equivalents include highly liquid investments with maturities of three months or less which are convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Money market deposits comprise investment in funds at FVTPL that are subject to insignificant risk of changes in fair value and can be readily converted into cash that fall under level 1 valuation (Note 29).

23. Other current assets

	As at 31 December 2021 $m	2020 (restated)[1] $m
Prepayments[1]	65	56
Investment at FVTPL	24	24
Others	8	22
	97	102

1. In 2021, prepayments have been reclassified under other current assets which were previously classified under trade and other receivables, and hence the 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. (see Note 21)

Investment at FVTPL represents the agreement the Group entered into with an asset management firm in 2015 to manage a $20 million portfolio of underlying debt instruments. The investment comprises a portfolio of assets that are managed by an asset manager and is measured at fair value; any changes in fair value go through the consolidated income statement. These assets are classified as level 1 as they are based on quoted prices in active markets (Note 29).

Others balance at 31 December 2021, mainly represents compensation due from suppliers in relation to inventory price adjustment. The balance at 31 December 2020 mainly represents insurance compensation receivable of $10 million which was received during the year (Note 6), compensation due from suppliers in relation to inventory price adjustment of $5 million and revenue contract asset of $3 million.

24. Short-term financial debts

	As at 31 December 2021 $m	2020 $m
Bank overdrafts	3	3
Import and export financing	58	67
Short-term loans	3	47
Current portion of long-term loans (Note 28)	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

25. Trade and other payables

	As at 31 December 2021 $m	2020 $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.

26. Other provisions

Other provisions represent the end of service indemnity provisions for employees of certain Group subsidiaries including some immaterial amounts for defined benefit plans. This provision is calculated based on relevant laws in the countries where each Group company operates, in addition to their own policies. For defined benefit plans, changes in net liability due to actuarial valuations and changes in assumptions resulted in remeasurement loss of $2 million (2020: $1 million).

Movements on the provision for end of service indemnity:

	2021 $m	2020 $m
1 January	28	23
Additions	11	10
Remeasurement of post-employment benefit obligations	2	1
Utilisation	(10)	(6)
At 31 December	31	28

27. Other current liabilities

	As at 31 December 2021 $m	2020 $m
Contract liability	213	162
Co-development and earnout payment (Notes 29 and 30)	2	2
Acquired contingent liability (Note 30)	15	18
Contingent consideration (Notes 29 and 30)	12	13
Indirect rebate and other allowances	80	74
Others	17	21
	339	290

Contract liabilities: The Group allows customers to return products within a specified period prior to and subsequent to the expiration date. In addition, free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as compensation for expired or returned goods.

At 31 December 2021, the provision balance relating to returns was $193 million (2020: $154 million). The key assumptions included in calculating this provision are estimations of revenue estimated to be subject to returns and the estimated returns rate of 1.74% (2020: 1.47%) as informed by both historical return rates and consideration of specific factors like product dating and expiration, new product launches, entrance of new competitors, and changes to contractual terms. Based on the conditions existing at the balance sheet date, a ten-basis point increase/decrease in the returns and allowances rate would increase/decrease this provision by approximately $11 million (2020: $8 million).

	As at 31 December 2020 $m	Additions $m	Utilisation $m	**As at 31 December 2021 $m**
Contract liabilities	162	132	(81)	213

	As at 31 December 2019 $m	Additions $m	Utilisation $m	As at 31 December 2020 $m
Contract liabilities	142	127	(107)	162

During the year ended 31 December 2021, $8 million (2020: $8 million) revenue was recognised from transferring free goods to the customers.

Indirect rebates and other allowances: mainly represent rebates granted to healthcare authorities and other parties under contractual arrangements with certain indirect customers.

At 31 December 2021 the provision balance relating to the indirect rebates was $56 million (2020: $55 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 rebates rate of 2.1% (2020: 2.7%) would increase/decrease this provision by approximately $3 million (2020: $2 million).

28. 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 24)	**(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

29. Financial policies for risk management and their objectives

Credit and concentration of risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for expected credit loss, chargebacks, and other allowances. A provision for impairment is made based on expected credit losses which are estimated based on previous experience, current events and forecasts of future conditions. A loan or receivable is considered impaired when there is no reasonable expectation of recovery, or when a debtor fails to make a contractual payment for a specific period which varies based on the type of debtor and the market in which they operate.

The credit risk on liquid investments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

In line with local market practice, customers in the MENA region are offered relatively long payment terms compared to customers in Europe and the US. During the year ended 31 December 2021, the Group's largest two customers in the MENA region represented 5.6% of Group revenue (2020: 6.2%), 4.3% from one customer in Saudi Arabia (2020: 4.1%), and 1.3% from one customer in Egypt (2020: 2.1% from a customer in Saudi Arabia). At 31 December 2021, the amount of receivables due from all customers based in Saudi Arabia was $102 million (2020: $78 million) and the amount of receivables due from all customers based in Egypt was $57 million (2020: $42 million).

During the year ended 31 December 2021, three key US wholesalers represented 38% of Group revenue (2020: 35%). The amount of receivables due from all US customers at 31 December 2021 was $332 million (2020: $285 million).

The Group manages this risk through the implementation of stringent credit policies, procedures and certain credit insurance agreements.

Trade receivable exposures are managed locally in the operating units where they arise. Credit limits are set as deemed appropriate for the customer, based on a number of qualitative and quantitative factors related to the creditworthiness of a particular customer. The Group is exposed to a variety of customers ranging from government-backed agencies and large private wholesalers to privately owned pharmacies, and the underlying local economic risks vary across the Group. 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. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance.

The following table provides a summary of the age of trade receivables (Note 21):

		Past due				
At 31 December 2021	**Not past due on the reporting date $m**	**Less than 90 days $m**	**Between 91 and 180 days $m**	**Between 181 and 360 days $m**	**Over one year $m**	**Total $m**
Expected credit loss rate	**0.01%**	**0.05%**	**11.1%**	**14.3%**	**53.4%**	**4.7%**
Gross trade receivables as at 31 December 2021	**910**	**72**	**9**	**28**	**88**	**1,107**
Related allowance for expected credit loss	**–**	**–**	**(1)**	**(4)**	**(46)**	**(51)**
Chargebacks and other allowances	**(275)**	**–**	**–**	**–**	**–**	**(275)**
Net trade receivables	**635**	**72**	**8**	**24**	**42**	**781**

		Past due				
At 31 December 2020	Not past due on the reporting date $m	Less than 90 days $m	Between 91 and 180 days $m	Between 181 and 360 days $m	Over one year $m	Total $m
Expected credit loss rate	0.01%	4.0%	5.9%	12.5%	57.6%	5.7%
Gross trade receivables as at 31 December 2020	780	75	17	16	85	973
Related allowance for expected credit loss	–	(3)	(1)	(2)	(49)	(55)
Chargebacks and other allowances	(256)	–	–	–	–	(256)
Net trade receivables	524	72	16	14	36	662

29. Financial policies for risk management and their objectives continued

Market risk
The Group is exposed to foreign exchange and interest rate risks. The Group's objective is to reduce, where it is appropriate to do so, fluctuations in earnings and cash flow associated with changes in interest rates and foreign currency rates. Management actively monitors these exposures to manage the volatility relating to these exposures by entering into a variety of derivative financial instruments, if needed.

Capital risk management
The Group manages its capital and monitors its liquidity to have reasonable assurance that the Group will be able to continue as a going concern and deliver its growth strategy objectives, whilst reducing its cost of capital and maximising the return to shareholders through the optimisation of the debt and equity mix. The Group regularly reviews the capital structure by considering the level of available capital and the short to medium-term strategic plans concerning future capital spend, as well as the need to meet dividends, banking covenants, and borrowing ratios.

The Group defines capital as equity plus net debt which includes long and short-term financial debts (Notes 24 and 28), lease liabilities (Note 33), net of cash and cash equivalents (Note 22) and collateralised and restricted cash. Group net debt excludes co-development and earnout payments, acquired contingent liabilities and contingent consideration (Notes 27 and 30).

During the year, the Group continued its strategy of obtaining debt financing at both the Group level and at the operating entities level. This enables the Group to borrow at competitive rates and to build relationships with local, regional and international banks and is therefore deemed to be the most effective means of raising finance, while maintaining the balance between borrowing cost, asset and liability management, and consolidated balance sheet currency risk management.

In order to monitor the available net funds, management reviews financial capital reports on a monthly basis, in addition to the continuous review by the Group treasury function.

At 31 December 2021, the Group's gearing ratio (total debt/equity) was 34% (2020: 43%). The decrease in the Group's gearing ratio is due to the increase in the Group total equity as a result of the profits generated during the year and the decrease of the total debts.

Cash management
The Group manages the deployment of cash balances to predefined limits approved by the Board of Directors under the cash/risk management policy. Per the policy, the Group's excess cash should be held with highly rated global and regional financial institutions. The aim of the policy is to mitigate the risk of holding cash in certain currencies, countries and financial institutions, through a specific threshold. The Group reviews the policy periodically to meet its risk appetite.

Foreign exchange risk and currency risk
The Group uses the US dollar as its reporting currency and is therefore exposed to foreign exchange movements primarily in the Euro, Algerian dinar, Sudanese pound, Japanese yen, Egyptian pound, Tunisian dinar, Lebanese pound and Moroccan dirham. Consequently, where possible, the Group enters into various contracts, which change in value as foreign exchange rates change, to hedge against the risk of movement in foreign denominated assets and liabilities. Due to the lack of open currency markets, the Algerian dinar, the Sudanese pound, the Tunisian dinar, the Moroccan dirham and the Egyptian pound cannot be hedged at reasonable cost. Where possible, the Group uses financing facilities denominated in local currencies to mitigate the risks. The Jordanian dinar and the Saudi riyal had no impact on the consolidated income statement as those currencies are pegged against the US dollar.

Lebanon and Sudan were considered to be hyperinflationary economies in the year ended 31 December 2021. When translating their results of operations into US dollars, assets, liabilities, income statement and equity accounts are translated at the rate prevailing on the balance sheet date. At 31 December 2021, the Lebanese pound rate was 1,507.5 per US dollar, and the Sudanese pound rate was 436.28 per US dollar.

Currency risks, as defined by IFRS 7, arise on account of financial instruments being denominated in a currency that is other than the functional currency of an entity and being of a monetary nature.

29. Financial policies for risk management and their objectives continued

The currencies that have a significant impact on the Group accounts and the exchange rates used are as follows:

	Period-end rates 2021	Period-end rates 2020	Average rates 2021	Average rates 2020
US dollar /Euro	**0.880**	0.824	**0.845**	0.876
US dollar /Sudanese pound[1]	**436.280**	120.000	**–[1]**	–[1]
US dollar /Algerian dinar	**138.719**	132.212	**135.097**	126.799
US dollar /Saudi riyal	**3.750**	3.750	**3.750**	3.750
US dollar /Pound sterling	**0.739**	0.731	**0.727**	0.779
US dollar /Jordanian dinar	**0.709**	0.709	**0.709**	0.709
US dollar /Egyptian pound	**15.655**	15.664	**15.634**	15.745
US dollar /Japanese yen	**115.080**	103.200	**109.805**	106.770
US dollar /Moroccan dirham	**9.280**	8.905	**8.992**	9.502
US dollar /Tunisian dinar	**2.887**	2.705	**2.802**	2.812
US dollar /Lebanese pound[2]	**1,507.500**	1,507.500	**–[2]**	–[2]

1. In both years, Sudan has been a hyperinflationary economy and Sudanese operations were translated using the period end rate
2. In both years, Lebanon has been a hyperinflationary economy and Lebanese operations were translated using the period end rate

2021	**Net foreign currency financial assets/(liabilities)** US dollar $m	Euro $m	Japanese yen $m	Others[1] $m
Functional currency of entity:				
– Jordanian dinar	**241**	**21**	**(6)**	**17**
– Euro	**30**	**–**	**–**	**–**
– Algerian dinar	**(2)**	**–**	**–**	**–**
– Saudi riyal	**7**	**(10)**	**–**	**–**
– Sudanese pound	**(31)**	**–**	**–**	**–**
– Egyptian pound	**(12)**	**1**	**–**	**–**
– Tunisian dinar	**1**	**3**	**–**	**5**
– Moroccan dirham	**(5)**	**(4)**	**–**	**–**
– Lebanese pound	**–**	**–**	**–**	**5**
	229	**11**	**(6)**	**27**

1. Others include Saudi riyal, Jordanian dinar and Pound sterling

2020	Net foreign currency financial assets/(liabilities) US dollar $m	Euro $m	Japanese yen $m	Others[1] $m
Functional currency of entity:				
– Jordanian dinar	279	12	(6)	7
– Euro	32	–	–	–
– Algerian dinar	(5)	–	–	–
– Saudi riyal	7	(5)	–	–
– Sudanese pound	(26)	–	–	–
– Egyptian pound	(14)	–	–	–
– Tunisian dinar	1	1	–	2
– Moroccan dirham	(4)	(5)	–	–
– Lebanese pound	(4)	(1)	–	3
– US dollar	–	3	–	2
	266	5	(6)	14

1. Others include Saudi riyal, Jordanian dinar and Pound sterling

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29. Financial policies for risk management and their objectives continued

A sensitivity analysis based on a 10% movement in foreign exchange rates would result in a $26 million translational increase/decrease on the Group results.

The Group sets certain limits on liquid funds per currency (other than the US dollar) and per country.

Interest rate risk

	As at 31 December 2021 Fixed rate $m	Floating rate $m	Total $m	As at 31 December 2020 Fixed rate $m	Floating rate $m	Total $m
Financial liabilities						
Interest-bearing loans and borrowings	672	91	763	704	146	850
Lease liabilities	83	–	83	82	–	82
Financial assets						
Cash and cash equivalents	–	271	271	–	238	238

An interest rate sensitivity analysis assumes an instantaneous one percentage point change in interest rates in all currencies from their levels at 31 December 2021, with all other variables held constant. Based on the composition of the Group's net debt portfolio as at 31 December 2021, a one percentage point increase/decrease in interest rates would result in $2 million decrease/increase in net finance cost per year (2020: $1 million increase/decrease).

As at 31 December 2021, $0.05 million (2020: $47 million) of the Group's utilised debt portfolio as well as $1,243 million (2020: $1,314 million) of the Group's unutilised debt facilities, have USD LIBOR as the benchmark interest rate. The unutilised debt facilities mainly relate to:

- The Group's syndicated revolving credit facility of $870 million (2020: $1,000 million) (Note 28)
- The International Finance Corporation loan of $200 million (2020: $200 million) (Note 28)
- Other smaller facilities

The Group has not identified any other IBOR exposures that are expected to be impacted by IBOR reform. Discussions on IBOR transitioning is ongoing with counterparties, while monitoring the market developments surrounding the IBOR reform.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following financial assets/liabilities are presented at their carrying value which approximates to their fair value:

- Cash at bank and on hand, time deposit and collateralised and restricted cash – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers the carrying amounts to be not significantly different from their fair values
- Short-term loans and overdrafts approximate to their fair value because of the short maturity of these instruments
- Long-term loans –loans with variable rates are re-priced in response to any changes in market rates and so management considers their carrying values to be not significantly different from their fair values

Loans with fixed rates relate mainly to:

- $500 million (carrying value at 31 December 2021 of $492 million, and fair value at 31 December 2021 of $515 million) Eurobond accounted for at amortised cost. The fair value is determined with reference to a quoted price in an active market as at the balance sheet date (a level 1 fair value) (Note 28)
- A ten-year $150 million loan from the International Finance Corporation with outstanding balance of $127 million (fair value at 31 December 2021 of $127 million). Fair value is estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities of such loans (a level 2 fair value)
- Receivables and payables – the fair values of receivables and payables are estimated to not be significantly different from the respective carrying amounts

Management classifies items that are recognised at fair value based on the level of the inputs used in their fair value determination as described below:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities
- **Level 2:** Inputs that are observable for the asset or liability
- **Level 3:** Inputs that are not based on observable market data

29. Financial policies for risk management and their objectives continued

The following financial assets/liabilities are presented at their fair value:

Fair value measurements At 31 December 2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments at FVTPL (Note 23)	24	–	–	24
Money market deposit (Note 22)	22	–	–	22
Investments in listed companies at FVTOCI (Note 19)	14	–	–	14
Investments in unlisted shares at FVTOCI (Note 19)	–	–	22	22
Total financial assets	60		22	82
Financial Liabilities				
Co-development and earnout payment liabilities (Note 27 and 30)	–	–	4	4
Contingent consideration liability resulting from the acquisition of the Columbus business (Note 27 and 30)	–	–	70	70
Total financial liabilities	–	–	74	74

Fair value measurements At 31 December 2020	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments at FVTPL (Note 23)	24	–	–	24
Money market deposit (Note 22)	35	–	–	35
Investments in unlisted shares at FVTOCI (Note 19)	–	–	25	25
Total financial assets	59		25	84
Financial Liabilities				
Co-development and earnout payment liabilities (Note 27 and 30)	–	–	5	5
Contingent consideration liability resulting from the acquisition of the Columbus business (Note 27 and 30)	–	–	89	89
Total financial liabilities	–	–	94	94

29. Financial policies for risk management and their objectives continued

The following table presents the changes in Level 3 items for the year ended 31 December 2021 and the year ended 31 December 2020:

	Financial assets $m	Financial liabilities $m
1 January 2020	18	178
Settled	–	(61)
Remeasurement of contingent consideration and other financial liability recognised in finance income	–	(38)
Unwinding of contingent consideration and other financial liability recognised in finance expense	–	15
Additions	5	–
Change in investments at FVTOCI	2	–
Balance at 31 December 2020 and 1 January 2021	**25**	**94**
Settled	**–**	**(4)**
Remeasurement of contingent consideration and other financial liability recognised in finance income	**–**	**(29)**
Unwinding of contingent consideration and other financial liability recognised in finance expense	**–**	**13**
Change in fair value of investments at FVTOCI	**24**	**–**
Additions	**3**	**–**
Sale of investment at FVTOCI	**(30)**	**–**
Balance at 31 December 2021	**22**	**74**

Contingent consideration liability represents contractual liability to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products. These liabilities were recognised as part of the Columbus business acquisition.

The critical areas of estimates in relation to the valuation of the contingent consideration are the probabilities assigned to reaching the success-based milestones and management's estimate of future sales. The valuation for the payments that are based on future sales is based on a discounted cash flow model applied to projected future sales for a period of 15 years using a post-tax discount rate of 8%. The key assumption used for this valuation is the sales projections informed by pricing and volume assumptions which were determined using probability weighted average of different possibilities on sales growth rates. The valuation for milestone payment is based on 100% probability of success-based milestone discounted using discount rate of 6.9%.

If the future sales were 5% higher or lower, the fair value of the contingent consideration will increase/decrease by $4 million (2020: $4 million) (Notes 27 and 30).

If the probability assigned to reaching the success-based milestones were 5% lower, the fair value of the contingent consideration will decrease by $1 million (2020: $1 million) (Notes 27 and 30).

Liquidity risk

2021	**Less than one year $m**	**One to five years $m**	**More than five years $m**	**Total $m**
Interest-bearing long-term loans and borrowings[1] (Note 28)	**(70)**	**(710)**	**(23)**	**(803)**
Interest-bearing short-term loans and borrowings[1] (Note 24)	**(3)**	**–**	**–**	**(3)**
Interest-bearing overdrafts[1] (Note 24)	**(3)**	**–**	**–**	**(3)**
Interest-bearing import and export loans[1] (Note 24)	**(60)**	**–**	**–**	**(60)**
Interest bearing finance lease[1] (Note 33)	**(12)**	**(36)**	**(71)**	**(119)**
Trade payables and accruals (Note 25)	**(456)**	**–**	**–**	**(456)**
Co-development and earnout payment[1] (Notes 27 and 30)	**(2)**	**(3)**	**–**	**(5)**
Acquired contingent liability (Notes 27 and 30)	**(15)**	**(38)**	**(30)**	**(83)**
Contingent consideration[1] (Notes 27 and 30)	**(12)**	**(49)**	**(27)**	**(88)**
	(633)	**(836)**	**(151)**	**(1,620)**

1. As these are interest-bearing liabilities, expected interest expense have been included in the balance

29. Financial policies for risk management and their objectives continued

2020	Less than one year $m	One to five years $m	More than five years $m	Total $m
Interest-bearing long-term loans and borrowings[1] (Note 28)	(64)	(728)	(42)	(834)
Interest-bearing short-term loans and borrowings[1] (Note 24)	(47)	–	–	(47)
Interest-bearing overdrafts[1] (Note 24)	(2)	–	–	(2)
Interest-bearing import and export loans[1] (Note 24)	(69)	–	–	(69)
Interest bearing finance lease[1] (Note 33)	(10)	(49)	(49)	(108)
Trade payables and accruals (Note 25)	(454)	–	–	(454)
Co-development and earnout payment[1] (Notes 27 and 30)	(2)	(3)	–	(5)
Acquired contingent liability (Notes 27 and 30)	(18)	(46)	(27)	(91)
Contingent consideration[1] (Notes 27 and 30)	(13)	(72)	(26)	(111)
	(679)	(898)	(144)	(1,721)

1. As these are interest-bearing liabilities, expected interest expense have been included in the balance

The Group regularly monitors all cash, cash equivalents and debt to maintain liquidity needs. This is done by analysing debt headroom and expected cash flows. The Group seeks to be proactive in its liquidity management to avoid any adverse liquidity effect.

At 31 December 2021, the Group had undrawn facilities of $1,413 million (2020: $1,549 million). Of these facilities, $1,086 million (2020: $1,232 million) were committed long term facilities.

30. Other non-current liabilities

	As at 31 December	
	2021 $m	2020 $m
Contingent consideration (Note 27 and 29)	**58**	76
Acquired contingent liability (Note 27)	**68**	80
Co-development and earnout payment (Notes 27 and 29)	**2**	3
Others	**12**	5
	140	164

Contingent consideration and acquired contingent liabilities represent contractual liabilities to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products. These liabilities were recognised as part of the Columbus business acquisition (see Note 29 for sensitivity analysis). In 2021, $14 million (2020: $15 million) of this balance was reclassified to other current liabilities.

31. Share capital

Issued and fully paid – included in shareholders' equity:

	As at 31 December			
	2021		2020	
	Number	**$m**	Number	$m
Ordinary Shares of 10p each	**244,331,288**	**42**	243,332,180	41

At 31 December 2021, of the issued share capital, 12,833,233 (2020: 12,833,233) are held as Treasury shares, nil (2020: 40,831) shares are held in the Employee Benefit Trust (EBT) and 231,498,055 (2020: 230,458,116) shares are in free issue.

Own Shares

Treasury Shares

Hikma holds 12,833,233 as Treasury shares related to the Share buyback of its own shares previously held by Boehringer Ingelheim GmbH (BI) for £23.00/share ($28.76/share). The voting rights attached to the Treasury shares are not capable of exercise. The market value of the Treasury shares held at 31 December 2021 was $385 million (2020: $442 million). The book value of the Treasury shares at 31 December 2021 are $368 million (2020: $368 million).

31. Share capital continued

Shares held in EBT
EBT of Hikma holds nil (2020: 40,831) Ordinary Shares in the Company. The trustee of the EBT is Apex Financial Services (Trust Company) Limited an independent trustee. The market value of the Ordinary Shares held in the EBT at 31 December 2021 was $nil (2020: $1 million). The book value of the retained own shares at 31 December 2021 are $nil (2020: $1 million). During the year, the Ordinary Shares held in the EBT were used to satisfy long-term commitments arising from the employee share plans operated by the Company.

32. Non-controlling interests

	2021 $m	2020 $m
At 1 January	13	12
Share of losses	(1)	(1)
Dividends paid	(1)	(1)
Currency translation and hyperinflation movement	3	3
At 31 December	14	13

33. Right-of-use assets and lease liabilities

The carrying amounts of right-of-use assets recognised and the movements during the year:

	Buildings $m	Vehicles $m	Machinery and Equipment $m	Total $m
As at 1 January 2020	43	6	1	50
Additions	19	6	–	25
Sub-lease reclassification to financial and other non-current assets (Note 19)	(4)	–	–	(4)
Impairment charge	(1)	–	–	(1)
Depreciation expense	(7)	(4)	–	(11)
As at 31 December 2020 and 1 January 2021	50	8	1	59
Additions	27	4	–	31
Lease buyout	(4)	–	–	(4)
Depreciation expense	(7)	(4)	(1)	(12)
As at 31 December 2021	66	8	–	74

The carrying amounts of lease liabilities and the movements during the year:

	2021 $m	2020 $m
As at 1 January	82	68
Additions	32	24
Accretion of interest	5	4
Payments	(36)	(14)
As at 31 December	83	82
Current	9	10
Non-current	74	72

33. Right-of-use assets and lease liabilities continued

The maturity analysis of lease liabilities:

	2021 $m	2020 $m
Breakdown by maturity:		
Within one year	9	10
In the second year	7	6
In the third year	7	6
In the fourth year	6	24
In the fifth year	3	4
In the sixth year	2	2
Thereafter	49	30
	83	82

At 31 December 2021, lease liabilities included optional extension periods amounting to $39 million (2020: $13 million).

The following are the amounts recognised in the consolidated income statement:

	2021 $m	2020 $m
Depreciation expense of right-of-use assets	(12)	(11)
Impairment of right-of-use assets	–	(1)
Interest expense on lease liabilities	(5)	(4)
Expense relating to short-term leases	(1)	(1)
Total amount recognised in the consolidated income statement	(18)	(17)

34. 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

35. Reconciliation of net cash flow to movement in net debt

Below table represent a reconciliation of net cash flow to movement in net debt:

	2021 $m	2020 $m
Interest-bearing loans and borrowings (Notes 24 and 28)		
Balance at 1 January	**850**	617
Proceeds from issue of long-term financial debts	**10**	1,543
Proceeds from issue of short-term financial debts	**383**	430
Repayment of long-term financial debts	**(45)**	(1,372)
Repayment of short-term financial debts	**(431)**	(367)
Amortisation of upfront fees	**3**	–
Foreign exchange translation movements	**(7)**	(1)
Balance at 31 December	**763**	850
Lease liabilities (Note 33)		
Balance at 1 January	**82**	68
New leases	**32**	24
Repayment of lease liabilities	**(31)**	(10)
Balance at 31 December	**83**	82
Total Debt	**846**	932
Cash and cash equivalents (Note 22)	**(426)**	(323)
Collateralised and restricted cash	**–**	(4)
Net debt	**420**	605

36. 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

36. Contingent liabilities continued

— 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.

37. Share-based payments

Executive incentive plan

The 2014 Executive Incentive Plan (EIP) was approved by shareholders at the 2014 Annual General Meeting. The EIP is a combined cash bonus (element A), deferred shares (element B) and restricted shares (element C) scheme. Under the EIP, the Company makes grants of conditional awards under elements B and C to the Executive Directors and senior executives of the Group. Awards under all elements are dependent on the achievement of individual and Group KPIs over one year prior to grant. The shares awarded under element B are not released for a period of two years during which they are subject to forfeiture conditions. The shares awarded under element C are not released for a period of three years but are not subject to a forfeiture condition. Members of the Executives Committee must retain 100% of the shares received from elements B and C for a period of five years from the date of grant.

Details of the outstanding grants under this plan are shown below:

Year 2021	2021 grants 25 Feb	2021 grants 25 Feb	2020 grants 27 Feb	2020 grants 27 Feb	2019 grants 17 May	2019 grants 12 March	2019 grants 12 March	2018 grants 16 May	2017 grants 13 Apr	2016 grants 11 May	2016 grants 17 March	2015 grants 10 April	Total Number
Beginning balance	–	–	184,355	550,745	216,834	280,529	313,288	140,484	50,107	13,171	51,350	12,012	1,812,875
Granted during the year	157,644	432,098	–	–	–	–	–	–	–	–	–	–	589,742
Exercised during the year	–	–	–	(16,496)	(205,463)	–	(313,288)	(126,273)	–	–	–	–	(661,520)
Expired during the year	–	(8,370)	–	(22,796)	(11,371)	–	–	–	–	–	–	–	(42,537)
Outstanding at 31 December	**157,644**	**423,728**	**184,355**	**511,453**	**–**	**280,529**	**–**	**14,211**	**50,107**	**13,171**	**51,350**	**12,012**	**1,698,560**
Exercisable at 31 December	–	–	–	–	–	–	–	14,211	50,107	13,171	51,350	12,012	140,851
Weighted average remaining contractual life (years)	2.15	1.15	1.16	0.16	–	0.19	–	6.38	5.36	4.36	4.21	3.28	0.56

Year 2020	2020 grants 27 Feb	2020 grants 27 Feb	2019 grants 17 May	2019 grants 12 March	2019 grants 12 March	2018 grants 16 May	2017 grants 13 Apr	2016 grants 11 May	2016 grants 17 March	2015 grants 10 April	Total Number
Beginning balance	–	–	246,076	280,529	313,288	503,460	196,918	18,171	51,350	24,024	1,633,816
Granted during the year	184,355	561,994	–	–	–	–	–	–	–	–	746,349
Exercised during the year	–	(11,249)	(29,242)	–	–	(362,976)	(146,811)	(5,000)	–	(12,012)	(567,290)
Outstanding at 31 December	184,355	550,745	216,834	280,529	313,288	140,484	50,107	13,171	51,350	12,012	1,812,875
Exercisable at 31 December	–	–	–	–	–	26,982	50,107	13,171	51,350	12,012	153,622
Weighted average remaining contractual life (years)	2.16	1.16	0.38	1.19	0.19	7.38	6.36	5.36	5.21	4.28	1.80

37. Share-based payments continued

The cost of the EIP of $20 million (2020: $18 million) has been recorded in the consolidated income statement as part of selling, general and administrative expenses and research and development expenses.

The fair value per share is the face value of shares on the date of grant less the present value of dividends expected to be paid during the vesting period. Valuation is based on the Black-Scholes methodology for nil-cost options.

The weighted average share price for 2021 is $32.60 (2020: $30.24).

The details of fair value of the outstanding shares are shown below:

	Date of grant	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected dividend yield %
EIP 1	10/04/2015	338,808	32.78	33.24	0.81%
EIP 3 B	17/03/2016	242,608	26.21	26.98	0.71%
EIP 3 C	17/03/2016	206,267	26.21	26.98	0.71%
EIP 4	11/05/2016	165,553	31.69	32.15	0.73%
EIP 5 B	13/04/2017	428,528	23.52	23.98	0.97%
EIP 5 C	13/04/2017	184,741	23.29	23.98	0.97%
EIP 6 B	16/05/2018	440,231	18.45	19.09	1.71%
EIP 6 C	16/05/2018	113,456	18.14	19.09	1.71%
EIP7 B	12/03/2019	313,288	21.00	21.75	1.79%
EIP7 C	12/03/2019	208,529	20.63	21.75	1.79%
EIP8	17/05/2019	246,076	21.41	22.18	1.79%
EIP9	12/03/2019	72,000	20.63	21.75	1.79%
EIP 10 B	27/02/2020	561,994	24.10	24.91	1.67%
EIP 10 C	27/02/2020	184,355	23.70	24.91	1.67%
EIP 11 B	25/02/2021	432,098	32.17	33.09	1.43%
EIP 11 C	25/02/2021	157,644	31.71	33.09	1.43%

The exercise price of the share award is $nil.

Management incentive plan

The 2009 Management Incentive Plan (MIP) was approved by shareholders at the 2010 Annual General Meeting and the 2018 MIP was approved by shareholders at the 2018 Annual General Meeting. Under the MIP, the Company makes grants of conditional awards to management across the Group below senior management level. Awards are dependent on the achievement of individual and Group KPIs over one year and are then subject to a two-year holding period.

Details of the outstanding grants under this plan are shown below:

Year 2021	2021 grants 25 Feb Number	2020 grants 27 Feb Number	2019 grants 17 May Number	2018 grants 16 May Number	2017 grants 19 May Number	2016 grants 11 May Number	2015 grants 14 May Number	2014 grants 11 June Number	2013 grants 17 May Number	Total Number
Outstanding at 1 January	–	377,913	394,263	17,445	36,990	8,254	8,854	5,890	3,013	852,622
Granted during the year	341,422	–	–	–	–	–	–	–	–	341,422
Exercised during the year	(1,376)	(4,118)	(363,799)	(3,922)	(1,106)	(1,564)	(1,209)	–	(1,325)	(378,419)
Expired during the year	(2,559)	(15,546)	(30,464)	(325)	–	–	–	–	–	(48,894)
Outstanding at 31 December	**337,487**	**358,249**	**–**	**13,198**	**35,884**	**6,690**	**7,645**	**5,890**	**1,688**	**766,731**
Exercisable at 31 December	–	–	–	13,198	35,884	6,690	7,645	5,890	1,688	70,995
Weighted average remaining contractual life (years)	1.15	0.16	–	6.38	5.38	4.36	3.37	2.45	1.38	1.04

37. Share-based payments continued

Year 2020	2020 grants 27 Feb Number	2019 grants 17 May Number	2018 grants 16 May Number	2017 grants 19 May Number	2016 grants 11 May Number	2015 grants 14 May Number	2014 grants 11 June Number	2013 grants 17 May Number	Total Number
Outstanding at 1 January	–	408,243	400,870	36,990	8,254	8,854	5,890	3,013	872,114
Granted during the year	381,546	–	–	–	–	–	–	–	381,546
Exercised during the year	(776)	(6,832)	(376,560)	–	–	–	–	–	(384,168)
Expired during the year	(2,857)	(7,148)	(6,865)	–	–	–	–	–	(16,870)
Outstanding at 31 December	377,913	394,263	17,445	36,990	8,254	8,854	5,890	3,013	852,622
Weighted average remaining contractual life (years)	1.16	0.38	7.38	6.38	5.36	4.37	3.45	2.38	1.24

The cost of the MIP of $9 million (2020: $9 million) has been recorded in the consolidated income statement as part of selling, general and administrative expenses, cost of sales and research and development expenses.

The fair value per share is the face value of shares on the date of grant less the present value of dividends expected to be paid during the vesting period. Valuation is based on the Black-Scholes methodology for nil-cost options.

The weighted average share price for 2021 is $32.60 (2020: $30.24).

The details of fair value of the outstanding shares are shown below:

	Date of grant	Number granted	The estimated fair value of each share option granted $	The share price at grant date $	Expected dividend yield %
MIP 5	17/05/2013	252,482	14.61	14.93	1.10
MIP 6	11/06/2014	225,904	27.73	28.33	0.71
MIP 7	14/05/2015	145,918	32.17	32.63	0.71
MIP 8	11/05/2016	196,373	31.73	32.20	0.73
MIP 9	19/05/2017	273,724	22.09	22.54	1.01
MIP 10	16/05/2018	443,288	18.45	19.09	1.71
MIP 11	17/05/2019	436,107	21.41	22.18	1.79
MIP 12	27/02/2020	381,546	24.10	24.91	1.67
MIP 13	25/02/2021	341,422	32.17	33.09	1.43

The exercise price of the share award is $nil.

38. Related parties

Transactions between Hikma Pharmaceuticals PLC (Hikma) and its subsidiaries (together, the Group) have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its joint ventures and other related parties are disclosed below.

Trading transactions:

During the year ended 31 December 2021, the Group entered into the following transactions with related parties:

Darhold Limited (Darhold): is a related party of Hikma because three Directors of Hikma jointly constitute the majority of Directors and shareholders (with immediate family members) in Darhold and because Darhold owns 24.56% (2020: 24.66%) of the share capital and 25.92% (2020: 26.03%) voting capital of Hikma. Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited during the year.

Hubei Haosun Pharmaceutical Co. Ltd (Haosun): is a related party of Hikma because the Group holds a non-controlling interest of 49% in the joint venture (JV) with Haosun (2020: 49%). During the year, total direct purchases from Haosun were $nil million (2020: $1.1 million). At 31 December 2021, the amount owed from the Group to Haosun amounted to $nil (2020: $0.1 million). In addition, in certain countries the Group purchases from Haosun indirectly. During the year total indirect purchases from Haosun were $0.7 million (2020: $1.1 million).

Labatec Pharma (Labatec): is a related party of the Group because Labatec is owned by the family of two Directors of Hikma. During the year, total Group sales to Labatec amounted to $2 million (2020: $3 million), and total Group purchases amounted to $0.5 million (2020: $0.6 million). As at the year end, the amount owed by Labatec to the Group was $0.6 million (2020: $0.7 million).

Al Tibbi: is a related party of the Group because it is jointly controlled by a direct relation of a senior executive member of the Group and Dash Ventures, in which two Directors of the Group have a controlling interest. During the year ended 31 December 2020, the Group requested that Al Tibbi provide patient referral services in response to COVID measures in Jordan. Total transactions with Al Tibbi was $0.03 million (2020: $0.4 million) and the amount owed by the Group to Al Tibbi was $nil (2020: $0.2 million).

Remuneration of key management personnel

The remuneration of the key management personnel (comprising the Executive Directors, Non-Executive Directors and the senior management as set out in the Governance report) of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of the individual Directors is provided in the audited part of the Remuneration Committee report on pages 89 to 110.

	2021 $m	2020 $m
Short-term employee benefits	**18.0**	19.9
Share-based payments	**12.9**	11.1
Post-employment benefits	**0.1**	0.3
Other benefits	**0.6**	0.7
	31.6	32.0

39. Subsidiaries and joint ventures

The subsidiaries and joint venture of Hikma Pharmaceuticals PLC are as follows:

			Owned by the Group	
Company's name	**Incorporated in**	**Address of the registered office**	**Ownership % Ordinary shares At 31 December 2021**	Ownership% Ordinary shares At 31 December 2020
Al Jazeera Pharmaceutical Industry S.A.R.L	Algeria	Zone d'Activité, Propriété N° 379 Section N° 04 Staoueli, Algeria	99%	99%
Algerie Industrie Mediterraneene Du Medicament S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	97%	97%
Hikma Pharma Algeria S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	100%	100%
SPA Al Dar Al Arabia pour la Fabrication de Médicaments	Algeria	Zone d'Activité El Boustane N° 78, Sidi Abdellah, Al Rahmania, Algeria	100%	100%
Hubei Haosun Pharmaceutical Co Ltd	China	No 20 Juxian Road, Gedian Economic and Technology Development Area, Hubei, China	49%	49%
Hikma Canada Limited	Canada	Blaney McMurtry LLP, Suite 15000 2 Queen Street, Toronto ON M5C 3G5	100%	100%
Hikma Pharma S.A.E	Egypt	12 El-Esraa Street, El-Mohandeseen, Lebanon Square, Giza, Egypt	100%	100%
Hikma Pharmaceuticals Industries S.A.E	Egypt	16 Ahmed Hosny Street, First Zone, Naser City, Cairo, Egypt	100%	100%
Hikma Specialised Pharmaceuticals (S.A.E)	Egypt	10 D, 11 D, Industrial Zone, Badr City, Cairo, Egypt	98%	98%
Hikma for Importation Co. LLC	Egypt	16 Ahmed Hosny Street, First Zone, Naser City, Cairo, Egypt	99%	100%
Hikma Pharma GmbH	Germany	Lochhamer Strasse 13, 82152, Martinsried, Germany	100%	100%
Thymoorgan Pharmazie GmbH	Germany	Schiffgraben 23, DE-38690, Goslar, OT Vienenburg, Germany	100%	100%
Hikma Finance (Ireland) Limited	Ireland	2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland	–	100%
Hikma Italia S.p.A	Italy	Viale Certosa 10, 27100, Pavia, Italy	100%	100%
Hikma Pharma Limited* [1]	Jersey	47 Esplanade, St Helier, JE1 0BD, Jersey	100%	100%
Arab Medical Containers LLC	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	100%	100%
Arab Pharmaceutical Manufacturing PSC	Jordan	Al Buhaira – Salt, P.O. Box 42, Jordan	100%	100%
Future Pharmaceutical Industries LLC	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	–	100%
Hikma International Pharmaceuticals LLC (Exempt)	Jordan	122 Queen Zain AlSharaf Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%
Hikma International Ventures and Development LLC (Exempt)	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Investment LLC*	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Pharmaceuticals LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma United Renewable Energy	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	–	100%

39. Subsidiaries and joint venture continued

			Owned by the Group	
Company's name	**Incorporated in**	**Address of the registered office**	**Ownership % Ordinary shares At 31 December 2021**	Ownership % Ordinary shares At 31 December 2020
International Pharmaceutical Research Centre LLC	Jordan	P.O. Box 963166, Amman, 11196, Jordan	51%	51%
Sofia Travel and Tourism	Jordan	Mustafa Semreen Complex Building No. 29, Jamal Qaytoqa Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%
Specialised for Pharmaceutical Industries LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Pharmaceuticals Co. Ltd., Almaty (Kazakhtan) Representative Office	Kazakhstan	Apt. 1, House 7, Building-28, "Keremet" Microdistrict, Bostandykskiy District, Almaty, A15C8X2, Kazakhstan	100%	100%
Al Jazeera Pharmaceutical Industries Ltd	KSA	P.O. Box 106229 11666 Riyadh, Saudi Arabia	100%	100%
Hikma Liban S.A.R.L.	Lebanon	Saria Building, Ground Floor, Embassies Street, Bir Hassan, Beirut, Lebanon	67%	67%
Société de Promotion Pharmaceutique du Maghreb (Promopharm S.A.)	Morocco	Zone Industrielle du Sahel, Rue N. 7, Had Soualem, Province de Settat, Morocco	94%	94%
Hikma Pharma Benelux B.V	Netherlands	Nieuwe Steen 36, 1625 HV, Hoorn, Netherlands	100%	100%
Hikma Farmaceutica, (Portugal) S.A	Portugal	Estrada Rio Da Mo no.8, 8a, 8B-Fervenca, 2705-906, Terugem SNT, Portugal	100%	100%
Lifotec Farmaceutica S.G.P.S S.A*	Portugal	Estrada Nacional 9, Fervença, São João das Lampas e Terrugem, Sintra, Portugal	100%	100%
Hikma Care for Medicines and Medical Supplies Company	Palestine	West Bank Al Birah, Ramallah	51%	51%
Hikma Pharmaceuticals	Palestine	West Bank Al Birah, Ramallah	100%	100%
Hikma Slovakia s.r.o	Slovakia	Seberiniho 1 821 03 Bratislava, Slovakia	100%	100%
Hikma Espana S.L	Spain	CALLE MALDONADO, 4 – BJ D 28006, MADRID Spain	100%	100%
Pharma Ixir Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	51%	51%
Savannah Pharmaceutical Industries Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	100%	100%
Eurohealth International S.A.R.L.[1]	Switzerland	Rue des Battoirs 7, 1205 Genève, Switzerland	100%	100%
APM Tunisie S.A.R.L.	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage, 2035, Tunisia	99%	99%
STE D'Industriee Pharmaceutique Ibn Al Baytar*	Tunisia	11 Rue 8610 Charguia 1-2035 Tunis-Carthage, Tunisia	100%	100%
STE Hikma Pharma Tunisie	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage 2035, Tunisia	–[2]	100%
STE Medicef	Tunisia	Avenue Habib Bourguiba, Sidi Thabet, 2020 Ariana, Tunisia	100%	100%

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39. Subsidiaries and joint venture continued

Company's name	Incorporated in	Address of the registered office	Owned by the Group Ownership % Ordinary shares At 31 December 2021	Ownership % Ordinary shares At 31 December 2020
Hikma Emerging Markets and Asia Pacific FZ-LLC[3]	United Arab Emirates	Premises 202-204, Floor 2, Building 26, Dubai, United Arab Emirates	100%	100%
Hikma International Trading Limited[1]	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%
Hikma MENA FZE*[1]	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%
Hikma (Maple) Limited	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	–	100%
Hikma Acquisitions (UK) Limited*[1]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	–	100%
Hikma Holdings (UK) Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	–	100%
Hikma UK Limited*[2]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Ventures Limited[1]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikmacure Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	–	50%
West-Ward Holdings Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Pharmaceuticals International Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Intelligence Limited	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Eurohealth (U.S.A.) Inc	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma Speciality USA, Inc.	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma Labs Inc.	United States	Corporation Trust Company of Nevada 701 S Carson Street Suite 200, Carson City, NV 89701, United States	100%	100%
West-Ward Columbus Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%
Hikma Injectables USA, Inc.	United States	Corporation Trust Center 1209 Orange Street, Wilmington, New Castle DE 19802, United States	100%	100%
Hikma Pharmaceuticals USA Inc.	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma Finance USA LLC	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma France	France	Tour Cb21 16 Place de l'Iris, Courbevoie 92400	100%	–
Hikma Cali Inc. (Delaware)	United States	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	100%	–

1. Owned by PLC 'the Company'
2. In 2021, STE Hikma Pharma Tunisie was merged into STE D'Industriee Pharmaceutique Ibn Al Baytar
3. In 2021, Hikma UK Limited became fully owned by Hikma Pharmaceuticals PLC, following a Group reorganisation

The investments in subsidiaries are all stated at cost in Hikma Pharmaceuticals PLC and are consolidated in line with IFRS 10.

The investments in joint ventures are accounted for using the equity method (Note 18).

The Group's subsidiaries principally operate in trading pharmaceuticals products and associated goods and services, except for Sofia Travel and Tourism subsidiary which coordinates employees travel arrangements. Companies marked (*) were incorporated as holding companies.

40. Defined contribution retirement benefit plan

The Group has defined contribution retirement plans in four of its subsidiaries: Hikma Pharmaceuticals PLC – United Kingdom, Hikma Pharmaceuticals Limited (Jordan), Arab Pharmaceutical Manufacturing Co and Hikma Pharmaceuticals USA Inc. The details of each contribution plan are as follows:

Hikma Pharmaceuticals PLC

Hikma Pharmaceuticals PLC currently has a defined contribution pension plan available for staff working in the United Kingdom whereby Hikma Pharmaceuticals PLC contributes 10% of basic salary. Employees are immediately entitled to 100% of the contributions. Hikma Pharmaceuticals PLC contributions for the year ended 31 December 2021 were $0.3 million (2020: $0.3 million).

Hikma Pharmaceuticals LLC

Hikma Pharmaceuticals LLC currently has an employee savings plan whereby Hikma Pharmaceuticals LLC fully matches employees' contributions, which are fixed at 10% of basic salary. Employees are entitled to 100% of Hikma Pharmaceuticals LLC contributions after three years of employment with the Company. Hikma Pharmaceuticals LLC contributions for the year ended 31 December 2021 were $3.2 million (2020: $3 million).

Arab Pharmaceutical Manufacturing PSC

Arab Pharmaceuticals Manufacturing PSC currently has an employee savings plan whereby Arab Pharmaceuticals Manufacturing PSC fully matches employees' contributions, which are fixed at 10% of basic salary. Employees are entitled to 100% of Arab Pharmaceuticals Manufacturing PSC contributions after three years of employment with the Company. Arab Pharmaceuticals Manufacturing PSC contributions for the year ended 31 December 2021 were $0.5 million (2020: $0.5 million).

Hikma Pharmaceuticals USA Inc.: (401 (k) Retirement Plan)

Hikma Pharmaceuticals USA Inc. has a 401(k)-defined contribution plan, which allows all eligible employees to defer a portion of their income through contributions to the plan. Eligible employees can begin contributing to the plan after being employed for 90 days. Employees can defer up to 95% of their eligible income into the plan, not to exceed $19,500 (2020: $19,500), not including catch-up contributions available to eligible employees as outlined by the Internal Revenue Service. The company matches the employees' eligible contribution dollar-for-dollar on the first 6% of eligible pay contributed to the plan. Employer contributions vest 50% after two years of service and 100% after three years of service. Employees are considered to have completed one year of service for the purposes of vesting upon the completion of 1,000 hours of service at any time during a plan year. Employer contributions to the plan for the year ended 31 December 2021 were $10 million (2020: $9 million). The assets of this plan are held separately from those of the Group. The only obligation of the Group with respect to this plan is to make specified contributions.

41. 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.

Company balance sheet

At 31 December 2021

	Note	2021 $m	2020 (restated)[1] $m
Non-current assets			
Property, plant and equipment		**1**	2
Right-of-use assets		**7**	9
Intangible assets	3	**15**	27
Investments in subsidiaries	4	**3,288**	3,332
Due from subsidiaries	5	**34**	100
		3,345	3,470
Current assets			
Trade and other receivables[1]		**10**	14
Due from subsidiaries	5	**88**	49
Cash and cash equivalents	7	**222**	156
Other current assets[1]	6	**28**	30
		348	249
Total assets		**3,693**	3,719
Current liabilities			
Other payables		**2**	2
Due to subsidiaries	8	**18**	29
Short-term financial debts	9	**21**	21
Other current liabilities		**12**	12
		53	64
Net current assets		**295**	185
Non-current liabilities			
Long-term financial debts	9	**105**	129
Due to subsidiaries	8	**–**	48
Finance lease obligations		**9**	11
		114	188
Total liabilities		**167**	252
Net assets		**3,526**	3,467
Equity			
Share capital	11	**42**	41
Share premium		**282**	282
Other reserves		**1,746**	1,746
Profit for the year	12	**150**	483
Retained earnings		**1,306**	915
Equity shareholders' funds		**3,526**	3,467

1. In 2021, prepayments have been reclassified under other current assets which were previously classified under trade and other receivables, and hence the 2020 numbers have been restated reflecting $6 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 $3 million. (see Note 6)

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, on pages 180 to 186 were approved by the Board of Directors on 23 February 2022 and signed on its behalf by:

Said Darwazah
Executive Chairman
23 February 2021

Sigurdur Olafsson
Chief Executive Officer

Company statement of changes in equity

For the year ended 31 December 2021

	Share capital $m	Share premium $m	Merger reserve $m	Retained earnings $m	Total $m
Balance at 1 January 2020	41	282	1,746	1,365	3,434
Profit for the year	–	–	–	483	483
Total comprehensive income for the year	**–**	**–**	**–**	**483**	**483**
Cost of equity settled employee share scheme	–	–	–	27	27
Dividends paid	–	–	–	(109)	(109)
Share buyback	–	–	–	(368)	(368)
Balance at 31 December 2020 and 1 January 2021	**41**	**282**	**1,746**	**1,398**	**3,467**
Profit for the year	–	–	–	150	150
Total comprehensive income for the year	**–**	**–**	**–**	**150**	**150**
Cost of equity settled employee share scheme	–	–	–	29	29
Exercise of employees share scheme	1	–	–	(1)	–
Dividends paid	–	–	–	(120)	(120)
Balance at 31 December 2021	**42**	**282**	**1,746**	**1,456**	**3,526**

At 31 December 2021, the Company had retained earnings available for distribution in excess of $320 million, which is determined with reference to the Companies Act 2006 and to guidance issued by the Institute of Chartered Accountants in England and Wales in 2017.

Notes to the Company financial statements
For the year ended 31 December 2021

1. Adoption of new and revised standards

The nature of the impact on the Company of new and revised standards is the same as for the Group. Details are given in Note 1 of the Group consolidated financial statements.

2. Significant accounting policies

Basis of accounting
These financial statements, for the year ended 31 December 2021 have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the following exemptions from the requirements of IFRS as below:

- Paragraph 10(d) of IAS 1 'Presentation of Financial Statements' (statement of cash flows)
- Paragraph 16 of IAS 1 'Presentation of Financial Statements' (statement of compliance with all IFRS)
- Paragraph 38A of IAS 1 'Presentation of Financial Statements' (requirements for minimal of two primary statements, including cash flow statements)
- Paragraph 45B and 46 to 52 of IAS 1 'Presentation of Financial Statements' (Share based payment)
- Paragraph 111 of IAS 1 'Presentation of Financial Statements' (cash flow statement information)
- IFRS 7 financial instruments disclosure
- Paragraph 17 of IAS 24 'Related Parties Disclosures'
- Paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- IAS 7 'Statement of cash flows'

No individual profit and loss account is prepared as provided by section 408 of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 2 of the Group consolidated financial statements with the addition of the policies noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment. The carrying value of investments is reviewed for impairment when there is an indication that the investment might be impaired. Any provision resulting from an impairment review is charged to the Company income statement. Testing for impairment requires making estimates for the valuation of the investments.

Intercompany receivables are classified as financial assets at amortised cost and are measured at amortised cost using the effective interest method less any impairment. The Company applies a general approach in calculating expected credit loss. At the reporting date, all outstanding balances were considered to have low credit risk, therefore, an operational simplification was applied when assessing expected credit loss on a twelve-month period basis.

Equity-settled employee share schemes are accounted for in accordance with IFRS 2 'Share based payment'. The current charge relating to the subsidiaries' employees is recharged to subsidiary companies.

3. Intangible assets

	Software $m	Total $m
Cost		
Balance at 1 January 2020	39	39
Additions	11	11
Disposals[1]	(10)	(10)
Balance at 1 January 2021	**40**	**40**
Additions	3	3
Write-down	(5)	(5)
Disposals[1]	(7)	(7)
Balance at 31 December 2021	**31**	**31**
Accumulated amortisation and impairment		
Balance at 1 January 2020	(6)	(6)
Charge for the year	(2)	(2)
Impairment	(5)	(5)
Balance at 1 January 2021	**(13)**	**(13)**
Charge for the year	(3)	(3)
Balance at 31 December 2021	**(16)**	**(16)**
Carrying amount		
At 31 December 2021	**15**	**15**
At 31 December 2020	27	27

1. Disposals represent software sold to subsidiaries

Details of useful lives are included in Note 16 of the Group consolidated financial statements.

4. Investments in subsidiaries

The details of Investment in subsidiaries are mentioned in Note 39 of the Group consolidated financial statements.

The following table provides the movement of the investments in subsidiaries:

	2021 $m	2020 $m
Beginning balance	**3,332**	3,331
Additions to subsidiaries	**2,179**	1
Liquidation of subsidiaries	**(2,223)**	–
Ending balance	**3,288**	3,332

The movement during the year represent reorganisation of the Group structure through transfer/liquation of certain holding companies, specifically liquidation of Hikma Acquisitions (UK) Limited and addition of Hikma UK Limited (see Note 39 of the Group consolidated financial statements).

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5. Due from subsidiaries

Non-current

	As at 31 December	
	2021 $m	2020 $m
Hikma Pharmaceuticals LLC	30	40
Hikma Pharmaceuticals USA Inc.	–	8
Hikma Emerging Markets and Asia Pacific FZ-LLC	4	5
Hikma UK Limited	–	4
Hikma MENA FZE	–	43
	34	100

Current

	As at 31 December	
	2021 $m	2020 $m
Hikma Pharma GmbH	1	1
Hikma Pharmaceuticals USA Inc.	51	31
Hikma MENA FZE	10	–
Hikma Pharma S.A.E	2	2
Promopharm	2	–
Al Jazeera Pharmaceuticals Industries JPI	8	–
Hikam Pharmaceuticals International Limited	1	1
Hikma Emerging Markets and Asia Pacific FZ-LLC	7	7
Others	6	7
	88	49

The Company does not expect any material credit losses from inter group receivables.

6. Other current assets

	As at 31 December	
	2021 $m	2020 (restated)[1] $m
Investments at FVTPL	24	24
Prepayments[1]	4	6
	28	30

1. In 2021, prepayments have been reclassified under other current assets which were previously classified under trade and other receivables, and hence the 2020 numbers have been restated reflecting $6 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 $3 million

Investment at FVTPL: represents the agreement the Group entered into with an asset management firm in 2015 to manage a $20 million portfolio of underlying debt instruments. The investment comprises a portfolio of assets that are managed by an asset manager and is measured at fair value; any changes in fair value go through the income statement. These assets are classified as level 1 valuation as they are based on quoted prices in active markets. (see Note 29 of the of the Group consolidated financial statements)

7. Cash and cash equivalents

	As at 31 December	
	2021 $m	2020 $m
Cash at banks and on hand	15	11
Time deposits	207	145
	222	156

Cash and cash equivalents include highly liquid investments with maturities of three months or less which are convertible to known amounts of cash and are subject to insignificant risk of changes in value.

8. Due to subsidiaries

Non-current

	As at 31 December	
	2021 $m	2020 $m
Hikma MENA FZE	–	48
	–	48

Current

	As at 31 December	
	2021 $m	2020 $m
Hikma Investment LLC	–	17
Hikma Farmaceutica S.A	5	4
Hikma Pharma Limited	1	3
Hikma UK Limited	1	1
Hikma Pharmaceuticals LLC	10	2
Other	1	2
	18	29

9. Financial debts

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 two years. This facility is available in two tranches, the first for Hikma Pharmaceuticals PLC $760 million and the second is for Hikma Finance USA LLC $390 million and both tranches can be used for general corporate purposes.

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.

An eight-year $200 million loan 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 (Note 28) of the Group consolidated financial statements.

The weighted average interest rates incurred by the Group are disclosed in Note 24 of the of the Group consolidated financial statements.

10. Staff costs

Hikma Pharmaceuticals PLC currently has an average of 35 employees (2020: 35 employees) (excluding Executive Directors); total compensation paid to them amounted to $10 million (2020: $12 million), of which salaries and bonuses comprise an amount of $7 million (2020: $8 million) the remaining balance of $3 million (2020: $4 million) mainly represents national insurance contributions and other employee benefits.

11. Share capital

Issued and fully paid – included in shareholder's equity:

	As at 31 December			
	2021		2020	
	Number	$m	Number	$m
Ordinary Shares of 10p each	**244,331,288**	**42**	243,332,180	41

At 31 December 2021, of the issued share capital, 12,833,233 (2020: 12,833,233) are held as Treasury shares, nil (2020: 40,831) shares are held in the Employee Benefit Trust (EBT) and 231,498,055 (2020: 230,458,116) shares are in free issue (Note 31) of the Group consolidated financial statements.

12. Profit for the year

The net profit in the Company for the year is $150 million (2020: $483 million). Included in the net profit for the year is an amount of $2,401 million (2020: $510 million) dividends income offset by $2,223 million write-off of investments in subsidiaries mainly as a result of the reorganisation of the Group structure (Note 4). The remaining income statement components largely represent general and administrative expenses and net financing expenses. Audit fees for the Company are disclosed in Note 7 of the Group consolidated financial statements.

13. Contingent liabilities

A contingent liability existed at the balance sheet date for a standby letter of credit totalling $10 million (2020: $8 million) for 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.

In addition, the Company guaranteed Hikma Finance USA LLC $500 million, 3.25%, five year Eurobond issued in July 2020 (Note 28 of the Group consolidated financial statements) and guaranteed Hikma Pharmaceuticals USA Inc. contingent consideration related to the Columbus business acquisition (Note 27 and 30 of the Group consolidated financial statements). It's not probable that any of the guaranteed entities will default on the guaranteed obligations.

Shareholder information

2022 financial calendar

17 March	2021 final dividend ex-dividend date
18 March	2021 final dividend record date
25 April	Annual General Meeting
28 April	2021 final dividend paid to shareholders
4 August*	2022 interim results and interim dividend announced
17 August*	2022 interim dividend ex-dividend date
18 August*	2022 interim dividend record date
16 September*	2022 interim dividend paid to shareholders

* Provisional dates

Shareholding enquiries

Enquiries or information concerning existing shareholdings should be directed to Hikma's registrars, Link Registrars either:

- in writing to Shareholder Services, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL
- by telephone from within the UK on 0371 664 0300
- by telephone from outside the UK on +44 371 664 0300 or
- by email – enquiries@linkgroup.co.uk

Dividend payments – currency

Hikma declares dividends in US dollars. Unless you have elected otherwise, you will receive your dividend in US dollars. Shareholders can opt to receive the dividend in pound sterling or Jordanian dinar. The Registrar retains records of the dividend currency for each shareholder and only changes them at the shareholder's request. If you wish to change the currency in which you receive your dividend please contact the Registrars.

Dividend payments – bank transfer

Shareholders who currently receive their dividend by cheque can request a dividend mandate form from the Registrar and have their dividend paid direct into their bank account on the same day as the dividend is paid. The tax voucher is sent direct to the shareholder's registered address.

Dividend payments – international payment system

If you are an overseas shareholder, the Registrar is now able to pay dividends in several foreign currencies for an administrative charge of £5.00, which is deducted from the payment. Contact the Registrar for further information.

Website

Press releases, the share price and other information on the Group are available on Hikma's website www.hikma.com.

Share listings

London Stock Exchange

Hikma's Ordinary Shares of 10 pence each (Shares) are admitted to the Official List of the London Stock Exchange. They are listed under EPIC – HIK, SEDOL – B0LCW08 GB and ISIN – GB00B0LCW083.

Further information on this market, its trading systems and current trading in Hikma's shares can be found on the London Stock Exchange website www.londonstockexchange.com.

Global Depository Receipts

Hikma also has listed Global Depository Receipts (GDRs) on the Nasdaq Dubai. They are listed under EPIC – HIK and ISIN – US4312882081. Further information on the Nasdaq Dubai, its trading systems and current trading in Hikma's GDRs can be found on the website www.nasdaqdubai.com.

American Depository Receipts (ADR)

Hikma has an ADR programme for which BNY Mellon acts as Depository. One ADR equates to two shares. ADR are traded as a Level 1 (OTC) programme under the symbol HKMPY. Enquiries should be made to:

BNY Mellon Shareowner Services
PO Box 358516
Pittsburgh, PA 15252-8516
Tel: +1 201 680 6825
Tel: +1 888 BNY ADRS (toll-free within the US)
E-mail: shrrelations@bnymellon.com

Shareholder fraud

The Financial Conduct Authority has issued a number of warnings to shareholders regarding boiler room scams. Shareholders may have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms. These brokers can be very persistent and extremely persuasive. Shareholders are advised to be very cautious of unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- obtain the correct name of the person and organisations
- check they are authorised by the FCA by looking the firm up on www.fca.org.uk/register
- report the matter to the FCA either by calling 0800 111 6768 or visit www.fca.org.uk/consumers
- if the caller persists, hang up

Details of the share dealing facilities sponsored by Hikma are included in Hikma's mailings and are on Hikma's website.

Hikma's website is www.hikma.com and the registered office is 1 New Burlington Place, London W1S 2HR.
Telephone number + 44 (0)20 7399 2760.

Principal Group Companies and Advisers

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