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Press Release

Hikma's diversified business delivers resilient H1 performance

Strong Injectables and Branded growth helps to offset challenging environment in Generics

London, 4 August 2022 – Hikma Pharmaceuticals PLC ('Hikma' or 'Group'), the multinational pharmaceutical company, today reports its interim results for the six months ended 30 June 2022.

Said Darwazah, Executive Chairman and Chief Executive Officer of Hikma, said:

"Hikma's resilient first half performance is a testament to the strength of our core underlying business, supported by the breadth and depth of our portfolio and capabilities. Double digit profit growth in our Injectables and Branded businesses has helped to offset a decline in Generics caused by industry-wide competitive pressures. Our increasingly differentiated portfolio, market leading positions, unique manufacturing footprint and the strength of our customer relationships form a strong foundation for further progress and we are confident in our outlook for the future. We expect to maintain good momentum in Branded and Injectables and for Generics to return to growth in 2023."

Group H1 highlights:

Reported results (statutory) **$ million**	**H1 2022[1]**	H1 2021[1]	Change	Constant currency[2] change
Revenue	**1,213**	1,216	(0)%	1%
Operating profit	**239**	326	(27)%	(26)%
Profit attributable to shareholders	**173**	248	(30)%	(30)%
Cashflow from operating activities	**169**	224	(25)%	-
Basic earnings per share (cents)[3]	**76.2**	107.4	(29)%	(29)%
Interim dividend per share (cents)	**19.0**	18.0	6%	-

Core results[4] (underlying) **$ million**	**H1 2022**	H1 2021	Change	Constant currency[2] change
Revenue	**1,213**	1,216	(0)%	1%
Core operating profit	**296**	309	(4)%	(3)%
Core profit attributable to shareholders	**209**	223	(6)%	(6)%
Core basic earnings per share (cents)[3]	**92.1**	96.5	(5)%	(4)%

[1] Throughout this document, H1 2022 refers to the six months ended 30 June 2022 and H1 2021 refers to the six months ended 30 June 2021

[2] Constant currency numbers in H1 2022 represent reported H1 2022 numbers translated using H1 2021 exchange rates, excluding price increases in the business resulting from the devaluation of currencies and excluding the impact from hyperinflation accounting. Lebanon and Sudan are considered hyperinflationary economies, therefore the spot exchange rates as at 30 June 2022 were used to translate the results of these operations into US dollars

[3] During the first half, Hikma bought back 12.5 million shares as a result of the $300 million share buyback announced on 24 February 2022, 11 April 2022 and 11 May 2022

[4] Core results throughout the document are presented to show the underlying performance of the Group, excluding other adjustments set out in Note 5. Core results are a non-IFRS measure and a reconciliation to reported IFRS measures is provided on page 16

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Resilient first half performance

- Group revenue flat – strong performance in Injectables and Branded offseting impact of weaker pricing in Generics
- Stable reported gross margin of 50.4%, reflecting positive product mix
- Core operating profit down 4% to $296 million reflecting lower profit in Generics. Reported operating profit down 27%, primarily reflecting a high comparative in H1 2021 due to an impairment reversal
- Good cashflow from operating activities of $169 million while maintaining healthy inventory to ensure continuity of supply
- Maintained comfortable leverage with net debt[5] to EBITDA[6] of 1.7x at 30 June 2022 (31 December 2021 0.6x), having completed the acquisitions of Custopharm and the Canadian assets of Teligent and a buyback of $300 million shares during the period
- Interim dividend of 19 cents per share

Strong performance in Injectables and Branded partially offsets decline in Generics

- Global Injectables revenue grew strongly, up 9%, driven by the US base business, the Custopharm and Teligent acquisitions, and a good performance in Europe. Injectables core operating profit increased by 12% and core operating margin expanded to 38.8%
- Branded achieved good growth in several key markets, with revenue up 6%. An improved product mix drove growth in core operating profit of 16% and core operating margin of 21.8%
- Generics was impacted by the highly competitive environment in the US and slower than expected ramp up of recent launches, resulting in an 18% fall in revenue and core operating margin of 17.6%

Strategic progress positions business for future growth

- Successfullly completed the acquisitions of Custopharm and Teligent's Canadian assets
- Expanded our European footprint through entry into the French injectables market
- Investing in local injectables manufacturing in MENA to support growing product portfolio
- Benefited from strong demand for our oncology products in Algeria supported by our continued investment in local manufacturing
- Strong contribution from chronic medications - driving 80% of Branded revenue growth in H1
- Continued investment in commercial capabilities to support development of growing speciality portfolio and more resilient growth opportunities in Generics

Outlook for full year 2022

- Injectables – we continue to expect revenue growth to be in the mid to high-single digits and core operating margin to be between 36% to 37%
- Branded – we now expect revenue to grow in the low-single digits on a reported basis. On a constant currency basis, we expect Branded revenue to grow in the mid-single digits. We expect core operating profit to be more evenly split across the year
- Generics – we now expect revenue to be in the range of $650 million to $675 million and core operating margin to be between 15% to 16%

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[5] Group net debt is calculated as Group total debt less Group total cash. Group net debt is a non-IFRS measure. See page 17 for a reconciliation of Group net debt to reported IFRS figures

[6] EBITDA is earnings before interest, tax, depreciation, amortisation, impairment and other items. EBITDA is a non-IFRS measure, see page 16 for a reconciliation to reported IFRS results. For the purposes of the leverage calculation, EBITDA is calculated for trailing twelve months ended 30 June 2022

Further information:
A pre-recorded presentation will be available at www.hikma.com at 07:00 BST. Hikma will also hold a live Q&A conference call at 10:30am BST, and a recording will be made available on the Company's website.

To join via conference call please dial:

United Kingdom: 0800 640 6441

United Kingdom (local): 020 3936 2999

All other locations: +44 20 3936 2999

Access code: 155618

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

Hikma Pharmaceuticals PLC (LSE: HIK) (NASDAQ Dubai: HIK) (OTC: HKMPY)
(LEI:549300BNS685UXH4JI75) (rated BBB-/stable S&P and Ba1/stable Moody's)

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STRATEGIC REVIEW

At Hikma, 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. Our broad and diversified portfolio, excellent manufacturing footprint and commitment to quality, coupled with the ever-growing need for healthcare globally, puts us in a position of strength.

The breadth and diversity of our business is demonstrated by our world-class Injectables business with state-of-the-art manufacturing capabilities, a broad, profitable product portfolio and a market leading position in the US, where we are the second largest supplier of generic sterile injectables by volume[7]. In MENA, we are a top-four pharmaceutical company[8] with a strong brand and extensive local manufacturing facilities in attractive, growing markets. Our high-quality Generics business is delivering a solid operating margin despite the current challenging pricing environment. Continued investment in our portfolio of speciality products will strengthen and diversify the Generics business to underpin future growth.

Strong growth in Injectables with expanding growth opportunities

Our Injectables business delivered strong growth, with revenues up 9% in the first half of 2022. Organic revenues grew by 5%[9], with further growth coming from the integration of the Custopharm and Teligent acquisitions during the half.

In the US, we are benefiting from more normalised demand following the impact of the pandemic, and from new product launches. Our portfolio now has more than 130 products. We also continued to leverage the flexibility and quality of our manufacturing capabilities to address market shortages, strengthening our customer relationships and reaffirming us as a supplier of choice.

In Europe and Rest of World (ROW)[10], we grew revenue from our own products and contract manufacturing and benefited from a contribution from the Teligent acquisition in Canada.

We are gradually building our Canadian business, focusing on establishing relationships with customers and the regulator, Health Canada, and by introducing new products. We currently market 29 products in Canada, with more in the pipeline. We are already playing an important role in helping alleviate drug shortages in the Canadian market by leveraging our US business to import key US FDA-approved products.

In the MENA region, our Injectables revenues declined slightly on a reported basis primarily due to weaker sales in Lebanon and Iraq. This was mostly offset by successful new launches, as well as good performance of our biosimilar products as we continue to launch into new markets and grow our market share.

Good performance across several MENA markets is driving further progress in Branded

Our Branded business continues to benefit from our established presence in the region, with our 23 manufacturing plants, 2,000 strong experienced salesforce and a broad portfolio of our own and in-

[7] Source: IQVIA MAT through June 2022, generic injectable volumes by eaches, excluding branded generics.

[8] Source: IQVIA Midas MAT March 2022 for Algeria, Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Tunisia, UAE. USD sales

[9] This excludes revenue contribution from Custopharm of $15 million and Teligent's Canadian assets of $7 million

[10] Following our entry into Canada, we now report revenues from this market under 'Europe and Rest of World' Injectables

licenced products. Strong revenue growth in the first half was driven by good performance across most of our markets as we benefit from an increasingly diversified portfolio of high-value treatments. Algeria, Morocco and Iraq performed particularly well in the first half. While we have been impacted by weaker currencies, particularly in Egypt, our momentum in our underlying business remains strong, enabling us to grow revenue in both reported and constant currency.

We are focused on key chronic diseases such as diabetes, multiple sclerosis and cancer and in the first half c.80% of our revenue growth came from products in these chronic disease areas. We are increasing our share in the diabetes market and are now one of the top ten players[11] in this therapeutic area driven by our strong performance in Saudi Arabia, Algeria and Iraq. We are also establishing a stronghold in multiple sclerosis treatment with growth in sales of our dimethyl fumarate product in Saudi Arabia, Algeria and Tunisia.

Continued efficiencies helping to partially offset the impact of a weak pricing environment in Generics

Our Generics business has delivered lower revenue and profit in the first half due to the intense competitive environment in the US market, which is driving low-double digit price erosion and mid-single digit volume erosion. We are also experiencing a slower than expected ramp up of recent launches as a result of competition, including for icosapent and generic Advair Diskus®. By focusing on cost management and operating efficiencies, we delivered a solid operating margin. Over the medium-term, we have a well-diversified pipeline of new products and we are focused on improving our product mix with an emphasis on more complex and specialty products that will improve the resilience of the business.

A diversified business well positioned for future growth

We invested 6% of revenue in R&D in the first half. We are committed to ensuring we have a differentiated portfolio that is fit for the future and are focused on looking for opportunities to add more differentiated and higher value products through R&D and business development opportunities. This is key to our growth plans and we are pleased with the ongoing progress our teams are making.

Our R&D teams are performing well. We have more than 260[12] products in the pipeline across our businesses, with a focus on being in the therapeutic areas where we have the most experience and see the most value, such as oncology, immunology, CNS and respiratory. Our pipeline is not reliant on any single product, but aims to continue to build on our portfolio breadth, which in turns brings both growth and resilience.

We also continued to enter new partnerships and build on existing ones, leveraging our strong capabilities to increase patients' access to high-value products. During the first half, we strengthened our strategic partnership with Celltrion in MENA, signing two exclusive agreements for biosimilars – for the commercialisation of Yuflyma™, the first adalimumab biosimilar with a high concentration, low-volume and citrate-free formulation, and for Remsima® subcutaneous, the first subcutaneous formulation of infliximab. These agreements complement and strengthen our growing biosimilar portfolio in the region.

Investing in capacity and expanding our manufacturing capabilities is also key to accommodate our growing portfolio. We consistently invest between 5% and 7% of sales on capital expenditure. Today, we have 32 manufacturing plants supporting a broad portfolio of c.700 products. These investments, as well as our quality culture, differentiate us from our peers and provide us with the flexibility to capture local

[11] IQVIA Midas MAT May 2022 for Algeria, Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Tunisia, UAE
[12] Pipeline as at 30 June 2022. Includes products for US Injectables, Generics and Branded top five markets (Algeria, KSA, Morocco, Jordan and Egypt)

market opportunities, ensuring we maintain a good supply of our medicines to customers and patients across our markets. In the first half of 2022, we invested $63 million in capital expenditure across the Group, with a focus on our Injectables business, where we continue to add capacity – we installed lyophilisation capabilities in Egypt and Morocco, progressed with our Algerian plant, which we expect to be operational in 2024, and added new filling and packaging lines in the US.

We also continued to grow through entering new markets and adjacencies. In the first half, we had a good contribution in Injectables from Canada, following the acquisition of the Canadian assets of Teligent. We have also entered France and have ambitions to be a top player in this large European market. We have continued to make progress with our compounding business in the US, which supplies compounded sterile medicines to hospitals. We are increasing state licences as we proceed with the careful rollout of this important business.

Acting Responsibly

Improving access to more affordable medicine is at the core of our business; we use our capabilities and global reach to produce high-quality medicines and make them available to the people who need them. Our broad product portfolio and pipeline enables this, and in the first half, we continued to broaden our portfolio and grow our R&D pipeline, while also investing into new lines and capabilities at our plants.

But our efforts go beyond our core business. Across our locations, we are making medicines more accessible to vulnerable populations through local outreach, medicine donations and disease awareness initiatives.

We are also pleased with the progress we are making when it comes to the environment. At the start of the year, we put in place a carbon emissions reduction target and have various emissions reduction initiatives in place across the business. We are also increasingly looking at our Scope 3 emissions, with our procurement and sustainability teams working closely with our suppliers to better understand the impact of our supply chain.

Our employees are at the core of our responsibility strategy – we shape and share an inclusive culture where everyone can thrive and has access to the tools to be at their best.

We are a business founded on delivering better health and doing so at the highest levels of quality, while acting responsibly in all that we do. This not only benefits our communities and patients, but also helps us recruit the best people to take the business forward.

Outlook for full year 2022 and beyond

For Injectables, we continue to expect revenue growth to be in the mid to high-single digits and core operating margin to be between 36% to 37%. This reflects the strength of our underlying business, supported by our broad product portfolio and flexible manufacturing capabilities, as well as the contribution from recent acquisitions, which will help us more than offset an expected increase in costs in the second half due to inflation.

Looking forward, we expect Injectables revenue growth to accelerate over the medium term driven by our investment in adjacent growth areas such as compounding, our entry into new markets and our ongoing commercial, R&D and manufacturing strength.

For Branded, given the strong performance in the first half, we now expect revenue to grow in the low-single digits on a reported basis. On a constant currency basis, we expect Branded revenue to grow in the mid-single digits. We expect core operating profit to be more evenly split across the year. This is an

upgrade from our previous guidance of mid-single digit revenue growth, excluding the impact of 2021 hyperinflation.

We are confident that revenue growth in our Branded business will accelerate over the medium term driven by our expanding portfolio and focus on chronic medications, combined with our manufacturing, R&D and commercial expertise in the MENA region.

For Generics, given the persistent challenges of the US generics market, we now expect revenue to be in the range of $650 million to $675 million, down from $710 million to $750 million, and core operating margin to be between 15% to 16%, down from around 20%.

We expect our Generics business to return to growth in 2023, driven by new launches including Ryaltris™ and generic Xyrem®.

We expect Group core net finance expense to be around $68 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 of $140 million to $160 million.

Impact of inflation on the Group

Across the Group, the effects of the global inflationary environment are increasingly impacting our business. While we have been managing this where we can by keeping a tight control on costs and looking at operating efficiencies, we expect to see an increase in costs due to inflation in the second half of the year and this has been reflected in our guidance.

Board and management changes

During the first half of the year, we have seen continued evolution of the Board and management team. On 25 April, Dr Pamela Kirby, Chair of the Remuneration Committee, stepped down from her role, handing her responsibilities to Nina Henderson.

On 24 June, Siggi Olafsson left his role as CEO of Hikma to pursue another opportunity and Said Darwazah, Hikma's Executive Chairman and former CEO, resumed all CEO responsibilities. Siggi left Hikma on a strong footing, having worked hard to drive strategic momentum across all our businesses, especially during the challenging days of the pandemic.

The Board, assisted by an external agency, has commenced a search for a new CEO, and will take its time in ensuring the right individual is chosen to take Hikma forward. In the meantime, Said brings significant experience and a deep knowledge of Hikma, providing important strategic continuity.

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FINANCIAL REVIEW

The financial review set out below summarises the performance of the Group and our three main business segments: Injectables, Branded and Generics, for the six months ended 30 June 2022.

Group

$ million	**H1 2022**	H1 2021	Change	Constant currency change
Revenue	**1,213**	1,216	(0)%	1%
Gross profit	**611**	616	(1)%	(1)%
Core gross profit	**623**	616	1%	1%
Core gross margin	***51.4%***	*50.7%*	*0.7pp*	*0.1pp*
Operating profit	**239**	326	(27)%	(26)%
Core operating profit	**296**	309	(4)%	(3)%
Core operating margin	***24.4%***	*25.4%*	*(1.0)pp*	*(0.3)pp*
EBITDA	**346**	358	(3)%	(3)%

Group revenue was flat, as a strong performance from our Injectables and Branded businesses offset a decline in Generics. Core gross margin increased slightly, with the product mix in our Injectables and Branded businesses more than compensating for a decline in Generics gross margin.

Group operating expenses were $372 million (H1 2021: $290 million). Excluding adjustments related to the amortisation of intangible assets (other than software) of $43 million (H1 2021: $29 million) and expenditure from other items of $2 million (H1 2021: $46 million income), Group core operating expenses were $327 million (H1 2021: $307 million).

Selling, general and administrative (SG&A) expenses were $299 million (H1 2021: $261 million). Excluding the amortisation of intangible assets (other than software) of $43 million, core SG&A expenses were $256 million (H1 2021: $232 million), with the increase reflecting enhanced commercial activities in MENA and our investment in sales and marketing in Generics as we move to a more specialty product offering.

Core and reported research and development (R&D) expenses were $69 million (H1 2021: $59 million), representing 6% of revenue (H1 2021: 5%), in line with our target for annual investment in R&D.

Other net operating expenditure was $1 million (H1 2021: $30 million net income). Excluding other adjustments[13], core other net operating income was $1 million (H1 2021: $16 million net expense). This reflects income from product disposals and legal settlements, as well as a lower impact from currency headwinds when compared to the prior period.

The reductions in core operating profit by 4% and core operating margin to 24.4% were primarily driven by the decline in Generics, but partially offset by the performance of Injectables and Branded.

[13] In H1 2022, other adjustments comprised a $2 million impairment of product related intangible assets. In H1 2021 comprised a $46 million impairment reversal of product related intangibles. Refer to Note 5 for further information

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Group revenue by business segment

$ million	**H1 2022**		H1 2021	
Injectables	**538**	44%	492	41%
Branded	**339**	28%	319	26%
Generics	**330**	27%	400	33%
Others	**6**	1%	5	0%
Total	**1,213**		1,216	

Group revenue by region

$ million	**H1 2022**		H1 2021	
US	**691**	57%	718	59%
MENA	**414**	34%	396	33%
Europe and ROW	**108**	9%	102	8%
Total	**1,213**		1,216	

Injectables

$ million	**H1 2022**	H1 2021	Change	Constant currency change
Revenue	**538**	492	9%	11%
Gross profit	**297**	273	9%	9%
Core gross profit	**309**	273	13%	13%
Core gross margin	***57.4%***	*55.5%*	*1.9pp*	*1.1pp*
Operating profit	**178**	175	2%	(1)%
Core operating profit	**209**	187	12%	10%
Core operating margin	***38.8%***	*38.0%*	*0.8pp*	*(0.5)pp*

Our largest business, Injectables, performed strongly in the first half, with both our own products and the recent acquisitions of Custopharm and the Canadian assets of Teligent contributing to the growth in both revenue and core operating profit. Organic growth was 5%[14].

US Injectables revenue was up 14% to $361 million (H1 2021: $318 million), reflecting a good contribution from our broad product portfolio and recent launches, as well as a contribution from Custopharm, which we closed in April.

Europe and Rest of World (ROW) [15] Injectables revenue was up 4% to $101 million (H1 2021: $97 million). In constant currency, Europe and ROW Injectables revenue increased by 15%, reflecting good demand

[14] This excludes revenue contribution from Custopharm of $15 million and Teligent's Canadian assets of $7 million
[15] Following our entry into Canada, we now report revenues from this market under 'Europe and Rest of World' Injectables

across our portfolio of own products, including recent launches, and a contribution from the Canadian Teligent acquisition.

In MENA, Injectables revenue was $76 million, down 1% (H1 2021: $77 million), or up 1% in constant currency. This was primarily due to weaker sales in Lebanon and Iraq, which was partially offset by successful new launches, as well as good performance of our biosimilar products as we continue to launch into new markets and grow our existing market share. We expect performance to be weighted towards the second half of the year.

Injectables core gross profit and margin increased due to an improvement in product mix and the contribution from recent acquisitions, which more than offset an increase in costs due to inflation.

The increase in Injectables core operating profit, which excludes the amortisation of intangible assets (other than software) and other adjustments[16], was driven by the strengthening in gross margin, which more than offset an increase in operating expenses reflecting higher R&D and sales and marketing spend as we invest for future growth and enter new markets and adjacencies such as France, Canada and our new sterile compounding business in the US.

During H1 2022, the Injectables business launched two products in the US, seven in MENA and 29 in Europe and ROW. We submitted 28 filings to regulatory authorities across all markets. We further developed our portfolio through new licensing agreements.

For Injectables, we continue to expect revenue growth to be in the mid to high-single digits and core operating margin to be between 36% to 37%.

Branded

$ million	**H1 2022**	H1 2021	Change	Constant currency change
Revenue	**339**	319	6%	9%
Gross profit	**174**	153	14%	15%
Core gross profit	**174**	153	14%	15%
Gross margin	***51.3%***	*48.0%*	*3.3pp*	*2.7pp*
Operating profit	**70**	59	19%	31%
Core operating profit	**74**	64	16%	27%
Core operating margin	***21.8%***	*20.1%*	*1.7pp*	*3.2pp*

The Branded business had a strong first half, with revenue up 6%, driven by a good performance across our markets.

Branded core and reported gross profit grew 14% and margin improved by three percentage points, reflecting an improvement in product mix, driven by good demand for our growing oncology portfolio and products used to treat chronic illnesses, such as diabetes and multiple sclerosis, as well as our successful promotion of new launches.

[16] In H1 2022, adjustments comprised amortisation of intangible assets other than software of $19 million and unwinding of acquisition related inventory step-up of $12 million. In H1 2021, adjustments comprised amortisation of intangible assets other than software of $12 million. Refer to Note 5 for further information

Branded core operating profit, which excludes the amortisation of intangibles (other than software)[17], grew strongly, primarily reflecting the improvement in gross profit, which more than offset the negative impact of foreign exchange related to currency devaluation in North Africa.

During H1 2022, the Branded business launched 13 products and submitted 24 filings to regulatory authorities. Revenue from in-licensed products represented 36% of Branded revenue (H1 2021: 41%).

Given the strong performance in the first half, we now expect Branded revenue to grow in the low single-digits on a reported basis. On a constant currency basis, we expect Branded revenue to grow in the mid-single digits. We expect core operating profit to be more evenly split across the year.

Generics

$ million	**H1 2022**	**H1 2021**	**Change**
Revenue	**330**	400	(18)%
Gross profit	**137**	188	(27)%
Core gross profit	**137**	188	(27)%
Gross margin	***41.5%***	*47.0%*	*(5.5)pp*
Operating profit	**36**	134	(73)%
Core operating profit	**58**	100	(42)%
Core operating margin	***17.6%***	*25.0%*	*(7.4)pp*

The decline in Generics revenue was driven by the challenging competitive environment in the US. We experienced sustained low double-digit price and mid-single digit volume erosion through the first half, and a slower than expected ramp up in recent launches.

Generics core and reported gross profit decline and margin reduction to 41.5% was primarily a result of the impact of price and volume erosion.

Generics core operating profit, which excludes the amortisation of intangible assets (other than software) and impairment charge adjustments[18] decreased primarily due to the reduced gross margin and an increase in sales and marketing costs as we continued to develop our commercial capabilities as we build our speciality business.

During H1 2022, we launched two products from our R&D pipeline.

We are taking considerable steps to lower costs and drive efficiencies, which will enable us to maintain operating margin in the high teens and to better position the business for future growth.

Given the persistent challenges of the US generics market, we now expect Generics revenue to be in the range of $650 million to $675 million and core operating margin to be between 15% to 16%.

[17] In H1 2022, amortisation of intangible assets other than software was $4 million. In H1 2021, amortisation of intangible assets other than software was $5 million. Refer to Note 5 for further information

[18] In H1 2022, adjustment comprised a $2 million impairment of product related intangibles and amortisation of intangible assets other than software, of $20 million. In H1 2021, adjustments comprised a $46 million impairment reversal of product related intangibles and amortisation of intangible assets other than software of $12 million. Refer to Note 5 for further information

Other businesses

Other businesses primarily comprise Arab Medical Containers (AMC), a manufacturer of plastic specialised medicinal sterile containers and International Pharmaceuticals Research Centre (IPRC), which conducts bio-equivalency studies. These businesses contributed revenue of $6 million (H1 2021: $5 million) with an operating profit of $2 million (H1 2021: $1 million).

Research and development

Our investment in R&D and business development is core to our strategy and enables us to continue expanding the Group's product portfolio. During H1 2022, we had 53 new launches and received 69 approvals. To ensure the continuous development of our product pipeline, we submitted 54 regulatory filings.

	H1 2022 submissions[19]	H1 2022 approvals[19]	H1 2022 launches[19]
Injectables	28	41	38
US	6	5	2
MENA	8	10	7
Europe and ROW	14	26	29
Generics	2	3	2
Branded	24	25	13
Total	**54**	**69**	**53**

Net finance expense

	H1 2022	H1 2021	Change	Constant currency change
Finance income	**13**	30	(57)%	(57)%
Finance expense	**35**	37	(5)%	(3)%
Net finance expense	**22**	7	214%	228%
Core finance income	**1**	1	0%	0%
Core finance expense	**33**	25	32%	36%
Core net finance expense	**32**	24	33%	38%

On a reported basis, net finance expense was $22 million (H1 2021: $7 million). This comprised $13 million finance income and $35 million finance expense. Excluding other adjustments[20], core net finance expense was $32 million (H1 2021: $24 million). This comprised $1 million finance income and $33 million finance expense. The increase compared with H1 2021 reflects the rising interest rate environment, combined with increased borrowing due to the acquisitions of Custopharm and Teligent's Canadian assets.

[19] New products submitted, approved and launched by country in H1 2022

[20] In H1 2022, other adjustments comprised $12 million related to the remeasurement of contingent consideration and $2 million related to the unwinding of contingent consideration and other financial liability. In H1 2021, other adjustments comprised $29 million related to the remeasurement of contingent consideration and $12 million related to the unwinding and remeasurement of contingent consideration and other financial liability. Refer to Note 5 for further information

We now expect core net finance expense to be around $68 million for the full year.

Profit before tax

Reported profit before tax was $215 million (H1 2021: $319 million). Core profit before tax was $262 million (H1 2021: $285 million), reflecting the overall group performance, combined with the increase in finance expense due to an increase in net debt and interest rates.

Tax

The Group incurred a reported tax expense of $41 million (H1 2021: $71 million). Excluding the tax impact of other adjustments, the Group core tax expense was $52 million in H1 2022 (H1 2021: $62 million). The core effective tax rate for H1 2022 was 19.8% (H1 2021: 21.8%). We continue to expect the Group´s core effective tax rate to be around 22% to 23% for the full year.

Profit attributable to shareholders

Profit attributable to shareholders was $173 million (H1 2021: $248 million). Excluding the amortisation of intangible assets (other than software) and other adjustments[21], core profit attributable to shareholders decreased by 6% to $209 million (H1 2021: $223 million).

Earnings per share

	H1 2022	H1 2021	Change	Constant currency change
Basic earnings per share (cents)	**76.2**	107.4	(29)%	(29)%
Core basic earnings per share (cents)	**92.1**	96.5	(5)%	(5)%
Diluted earnings per share (cents)	**75.9**	106.9	(29)%	(29)%
Core diluted earnings per share (cents)	**91.7**	96.1	(5)%	(4)%
Weighted average number of Ordinary Shares for the purposes of basic earnings (‘m)	**227**	231	(2)%	-
Weighted average number of Ordinary Shares for the purposes of diluted earnings (‘m)	**228**	232	(2)%	-

The decrease in earnings per share reflects the performance of the Group, which was partially offset by the impact of the Group’s buy back of 12.5 million ordinary shares in the first half of 2022.

Dividend

The Board is recommending an interim dividend of 19 cents per share (approximately 16 pence per share) (H1 2021: 18 cents per share). The interim dividend will be paid on 19 September 2022 to eligible shareholders on the register at the close of business on 19 August 2022.

[21] In H1 2022, other adjustments comprised $47 million of other adjustments included in operating profit and $11 million tax effect. In H1 2021, other adjustments comprised $34 million of other adjustments included in operating profit and $9 million tax effect. Refer to Note 5 for further information

Net cash flow, working capital and net debt

The Group generated operating cash flow of $169 million (H1 2021: $224 million). This reflects the decline in reported operating profit and an increase in inventories.

Group working capital days were 261 at 30 June 2022. Compared to the position on 31 December 2021, Group working capital days increased by 23 days from 238 days, as we replenished inventory to ensure continuity of supply. When compared to 30 June 2021 working capital days reduced by five days.

Cash capital expenditure was $63 million (H1 2021: $65 million). In the US, $23 million was spent upgrading equipment, expanding packaging areas and adding new technologies at our Cherry Hill, Dayton and Columbus sites. In MENA, $29 million was spent primarily on adding new injectables manufacturing capabilities in Morocco and Algeria. In Europe, we spent $10 million, adding new high speed liquid filling lines in Portugal as well as upgrading equipment in Italy and expanding warehousing in Germany. We now expect Group capital expenditure to be around $140 million to $160 million in 2022.

The Group's total debt was $1,551 million at 30 June 2022 (31 December 2021: $846 million). Total debt increased primarily to finance the acquisitions of Custopharm and Teligent's Canadian assets.

The Group's cash balance was $371 million (31 December 2021: $426 million). The Group's net debt (excluding co-development and earnout payments, acquired contingent liabilities and contingent consideration) was $1,180 million at 30 June 2022 (31 December 2021: $420 million)[22]. We continue to have a very strong balance sheet with a net debt to EBITDA ratio of 1.7x.

Net assets

Net assets at 30 June 2022 were $2,191 million (31 December 2021: $2,467 million). The reduction is due to the share buyback carried out during the first half and an increase in our borrowing. Net current assets increased to $1,134 million (31 December 2021: $1,078 million).

Responsibility statement

We confirm that to the best of our knowledge:

These interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with: (a) the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority; and (b) IAS 34 (Interim financial reporting), as contained in UK-adopted International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021.

The interim results announcement includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

[22] Group net debt is a non-IFRS measure that includes long and short-term financial debts (Note 15), lease liabilities and net of cash. Group net debt excludes co-development and earnout payments, acquired contingent liabilities and contingent consideration (Note 14 and 16). See page 17 for a reconciliation of Group net debt to reported IFRS results

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the enterprise during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Said Darwazah	Khalid Nabilsi
Executive Chairman and Chief Executive Officer 3 August 2022	Chief Financial Officer 3 August 2022

The Board

The Board of Directors that served during all or part of the six-month period to 30 June 2022 and their respective responsibilities can be found on the Leadership team section of www.hikma.com.

Cautionary statement

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

Definitions

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

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

Core results

Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items which are excluded when assessing the underlying performance of the Group. To provide a more complete picture of the Group's performance to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. Our core results exclude the other adjustments set out in Note 5.

Group operating profit	H1 2022 $million	H1 2021 $million
Core operating profit	**296**	**309**
Unwinding of acquisition related inventory step-up	(12)	-
Intangible assets amortisation other than software	(43)	(29)
Impairment charges/(reversals) of product related intangibles	(2)	46
Reported operating profit	**239**	**326**

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 H1 2022 represent reported H1 2022 numbers translated using H1 2021 exchange rates, excluding price increases in the business resulting from the devaluation of currencies and excluding the impact from hyperinflation accounting. Lebanon and Sudan are considered hyperinflationary economies, therefore the spot exchange rate as at 30 June 2022 was used to translate the results of these operations into US dollars.

EBITDA

EBITDA is earnings before interest, tax, depreciation, amortisation, impairment charges/reversals and other items.

EBITDA $ million	H1 2022	H1 2021
Reported operating profit	**239**	**326**
Depreciation	44	44
Amortisation	49	34
Unwinding of acquisition related inventory step-up	12	-
Impairment charges/(reversals)	2	(46)
EBITDA	**346**	**358**

Working capital days

We believe Group working capital days provides a useful measure of the Group's working capital management and liquidity. Group working capital days are calculated as Group receivable days plus Group inventory days, less Group payable days. Group receivable days are calculated as Group trade receivables x 365, divided by trailing 12 months Group revenue. Group 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 financial position. Group net debt is calculated as Group total debt less Group total cash. Group total debt excludes co-development and earnout payments, acquired contingent liabilities and contingent consideration.

Group net debt **$ million**	**Jun-22**	**Dec-21**
Short-term financial debts	(128)	(112)
Short-term lease liabilities	(9)	(9)
Long-term financial debts	(1,340)	(651)
Long-term lease liabilities	(74)	(74)
Total debt	**(1,551)**	**(846)**
Cash	371	426
Net debt	**(1,180)**	**(420)**

Forward looking statements

This announcement contains certain statements which are, or may be deemed to be, "forward looking statements" which are prospective in nature with respect to Hikma's expectations and plans, strategy, management objectives, future developments and performance, costs, revenues and other trend information. All statements other than statements of historical fact may be forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward looking words such as "intends", "believes", "anticipates", "expects", "estimates", "forecasts", "targets", "aims", "budget", "scheduled" or words or terms of similar substance or the negative thereof, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved.

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

Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation ((EU) No. 596/2014) and the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), Hikma does not undertake to update the forward looking statements contained in this announcement to reflect any changes in events, conditions or circumstances on which any such statement is based or to correct any inaccuracies which may become apparent in such forward looking statements. Except as expressly provided in this announcement, no forward looking or other statements have been reviewed by the auditors of Hikma. All subsequent oral or written forward looking statements attributable to Hikma or any of its members, directors, officers or employees or any person acting on their behalf are expressly qualified in their entirety by the cautionary statement above. Past share performance cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit forecast.

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

Principal risks and uncertainties

The Group faces risks from a range of sources that could have a material impact on our financial commitments and ability to trade in the future. The principal risks are determined via robust assessment considering our risk context by the Board of Directors with input from executive management. The principal risks facing the company have not materially changed in the last six months although the impacts of global inflationary pressures and supply chain challenges are being closely monitored. The principal risks are set out in the 2021 annual report on pages 54 – 63. The Board recognises that certain risk factors that influence the principal risks are outside of the control of management. The Board is satisfied that the principal risks are being managed appropriately and consistently with the target risk appetite. The set of principal risks should not be considered as an exhaustive list of all the risks the Group faces.

Principal risks	**What does the risk cover?**
Industry dynamics	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.
Product pipeline	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.
Organisational development	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.
Reputation	Building and maintaining trusted and successful partnerships with our stakeholders relies on developing and sustaining our reputation as one of our most valuable assets.
Ethics and compliance	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.
Information and cyber security, technology and infrastructure	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.
Legal, regulatory and intellectual property	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.
Inorganic growth	Identifying, accurately pricing and realising expected benefits from acquisitions or divestments, licensing, or other business development activities.
Active pharmaceutical ingredient (API) and third-party risk management	Maintaining availability of supply, quality and competitiveness of API purchases and ensuring proper understanding and control of third-party risks.
Crisis response and business continuity	Preparedness, response, continuity and recovery from disruptive events, such as natural catastrophe, economic turmoil, operational issues, pandemic, political crisis, and regulatory intervention.

Product quality and safety	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.
Financial control and reporting	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.

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Independent review report to Hikma Pharmaceuticals PLC
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Hikma Pharmaceuticals PLC's condensed consolidated interim financial statements (the "interim financial statements") in the interim results press release of Hikma Pharmaceuticals PLC for the 6 month period ended 30 June 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', International Accounting Standard 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the condensed consolidated interim balance sheet as at 30 June 2022;
- the condensed consolidated interim income statement and condensed consolidated interim statement of comprehensive income for the period then ended;
- the condensed consolidated interim cash flow statement for the period then ended;
- the condensed consolidated interim statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results press release of Hikma Pharmaceuticals PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and as issued by the International Accounting Standards Board (IASB) and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' (ISRE) issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results press release and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately

disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results press release, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results press release in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the interim results press release, including the interim financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the interim results press release based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
3 August 2022

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Hikma Pharmaceuticals PLC
Condensed consolidated interim income statement

	Note	H1 2022 Core results $m (Unaudited)	H1 2022 Exceptional items and other adjustments (Note 5) $m (Unaudited)	H1 2022 Reported results $m (Unaudited)	H1 2021 Core results $m (Unaudited)	H1 2021 Exceptional items and other adjustments (Note 5) $m (Unaudited)	H1 2021 Reported results $m (Unaudited)
Revenue	3	1,213	-	1,213	1,216	-	1,216
Cost of sales		(590)	(12)	(602)	(600)	-	(600)
Gross profit/(loss)		**623**	**(12)**	**611**	**616**	**-**	**616**
Selling, general and administrative expenses		(256)	(43)	(299)	(232)	(29)	(261)
Net impairment loss on financial assets		(3)	-	(3)	-	-	-
Research and development expenses		(69)	-	(69)	(59)	-	(59)
Other operating expenses		(17)	(2)	(19)	(18)	-	(18)
Other operating income		18	-	18	2	46	48
Total operating (expenses)/income		**(327)**	**(45)**	**(372)**	**(307)**	**17**	**(290)**
Operating profit/(loss)	4	**296**	**(57)**	**239**	**309**	**17**	**326**
Finance income		1	12	13	1	29	30
Finance expense		(33)	(2)	(35)	(25)	(12)	(37)
Loss from investment at fair value through profit and loss (FVTPL)		(2)	-	(2)	-	-	-
Profit/(loss) before tax		**262**	**(47)**	**215**	**285**	**34**	**319**
Tax	6	(52)	11	(41)	(62)	(9)	(71)
Profit/(loss) for the half-year		**210**	**(36)**	**174**	**223**	**25**	**248**
Attributable to:							
Non-controlling interests		1	-	1	-	-	-
Equity holders of the parent		**209**	**(36)**	**173**	**223**	**25**	**248**
		210	**(36)**	**174**	**223**	**25**	**248**
Earnings per share (cents)							
Basic		92.1		76.2	96.5		107.4
Diluted		91.7		75.9	96.1		106.9

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Hikma Pharmaceuticals PLC
Condensed consolidated interim statement of comprehensive income

	Note	H1 2022 Reported results $m (Unaudited)	H1 2021 Reported results $m (Unaudited)
Profit for the half-year		**174**	**248**
Other Comprehensive Income			
Items that may subsequently be reclassified to the consolidated income statement, net of tax:			
Currency translation and hyperinflation movement		(68)	(31)
Effect of change in fair value of hedging financial derivatives		(1)	-
Items that will not subsequently be reclassified to the consolidated income statement, net of tax:			
Change in investments at fair value through other comprehensive income (FVTOCI)	9	(8)	-
Total other comprehensive income for the half-year		**(77)**	**(31)**
Total comprehensive income for the half-year		**97**	**217**
Attributable to:			
Non-controlling interests		(1)	-
Equity holders of the parent		**98**	**217**
		97	**217**

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Hikma Pharmaceuticals PLC
Condensed consolidated interim balance sheet

	Note	30 June 2022 $m (Unaudited)	31 December 2021 $m (Audited)
Non-current assets			
Goodwill	8	394	285
Other intangible assets	8	857	607
Property, plant and equipment		1,059	1,072
Right-of-use assets		73	74
Investment in joint ventures		10	10
Deferred tax assets		151	183
Financial and other non-current assets	9	59	47
		2,603	**2,278**
Current assets			
Inventories		765	695
Income tax receivable		62	60
Trade and other receivables	10	831	816
Cash and cash equivalents	11	371	426
Other current assets	12	113	97
Assets classified as held for distribution		2	-
		2,144	**2,094**
Total assets		**4,747**	**4,372**
Current liabilities			
Short-term financial debts	15	128	112
Lease liabilities		9	9
Trade and other payables	13	428	468
Income tax payable		66	57
Other provisions		31	31
Other current liabilities	14	348	339
		1,010	**1,016**
Net current assets		**1,134**	**1,078**
Non-current liabilities			
Long-term financial debts	15	1,340	651
Lease liabilities		74	74
Deferred tax liabilities		24	24
Other non-current liabilities	16	108	140
		1,546	**889**
Total liabilities		**2,556**	**1,905**
Net assets		**2,191**	**2,467**
Equity			
Share capital	19	41	42
Share premium		282	282
Other reserves		(240)	(60)
Translation reserve related to assets held for distribution		(14)	-
Retained earnings		2,107	2,189
Equity attributable to equity holders of the parent		**2,176**	**2,453**
Non-controlling interests		15	14
Total equity		**2,191**	**2,467**

The condensed consolidated interim financial information of Hikma Pharmaceuticals PLC for the six-months period ended 30 June 2022 were approved by the Board of Director of the Company on 3 August 2022.

Said Darwazah
Executive Chairman

Mazen Darwazah
Executive Vice Chairman

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Hikma Pharmaceuticals PLC
Condensed consolidated interim statement of changes in equity

	Note	Merger and revaluation reserves $m	Translation reserve $m	Capital redemption reserve $m	Total other reserves $m	Translation reserve related to assets held for distribution[2] $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 2021		**119**	**(199)**	**-**	**(80)**	**-**	**1,892**	**41**	**282**	**2,135**	**13**	**2,148**
Profit for the half-year		46	-	-	**46**	-	202	-	-	**248**	-	**248**
Currency translation and hyperinflation movement		-	(31)	-	**(31)**	-	-	-	-	**(31)**	-	**(31)**
Total comprehensive income for the half-year		46	(31)	-	**15**	-	202	-	-	**217**	-	**217**
Total transactions with owners, recognised directly in equity												
Cost of equity-settled employee share scheme		-	-	-	**-**	-	16	-	-	**16**	-	**16**
Dividends paid	7	-	-	-	**-**	-	(78)	-	-	**(78)**	-	**(78)**
Balance at 30 June 2021 (unaudited)		**165**	**(230)**	**-**	**(65)**	**-**	**2,032**	**41**	**282**	**2,290**	**13**	**2,303**
Balance at 31 December 2021 (audited) and 1 January 2022		**164**	**(224)**	**-**	**(60)**	**-**	**2,189**	**42**	**282**	**2,453**	**14**	**2,467**
Profit for the half-year		-	-	-	**-**	-	173	-	-	**173**	1	**174**
Change in the fair value of investments at FVTOCI		**-**	**-**	**-**	**-**	**-**	**(8)**	**-**	**-**	**(8)**	**-**	**(8)**
Effect of change in fair value of hedging financial derivatives		-	-	-	**-**	-	(1)	-	-	**(1)**	-	**(1)**
Currency translation and hyperinflation movement		-	(66)	-	**(66)**	-	-	-	-	**(66)**	(2)	**(68)**
Total comprehensive income for the half-year		-	(66)	-	**(66)**	-	164	-	-	**98**	(1)	**97**
Total transactions with owners, recognised directly in equity												
Transfer of merger reserve[1]	19	(129)	-	-	**(129)**	-	129	-	-	**-**	-	**-**
Issue of Ordinary Bonus Share	19	-	-	-	**-**	-	(1,746)	1,746	-	**-**	-	**-**
Cancellation of Ordinary Bonus Share	19	-	-	-	**-**	-	1,746	(1,746)	-	**-**	-	**-**
Cost of equity-settled employee share scheme		-	-	-	**-**	-	10	-	-	**10**	-	**10**
Deferred tax arising on share based payments		-	-	-	**-**	-	1	-	-	**1**	-	**1**
Dividends paid	7	-	-	-	**-**	-	(83)	-	-	**(83)**	-	**(83)**
Ordinary Shares purchased and cancelled	19	-	-	1	**1**	-	(300)	(1)	-	**(300)**	-	**(300)**
Shares buyback transaction cost	19	-	-	-	**-**	-	(3)	-	-	**(3)**	-	**(3)**
Other comprehensive income accumulated in equity related to assets held for distribution[2]		-	14	-	**14**	(14)	-	-	-	**-**	-	**-**
Acquisition of subsidiaries		-	-	-	**-**	-	-	-	-	**-**	2	**2**
Balance at 30 June 2022 (unaudited)		**35**	**(276)**	**1**	**(240)**	**(14)**	**2,107**	**41**	**282**	**2,176**	**15**	**2,191**

1. $129 million of the merger reserve balance which relates to Columbus business acquisition was transferred to retained earnings as a result of the capitalisation of the Company's merger reserve (Note 19).

2.Translation reserve related to assets held for distribution represent cumulative translation loss recognised in other comprehensive income attributable to equity holders of the parent in relation to Pharma Ixir Co. Ltd which is currently under liquidation.

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Hikma Pharmaceuticals PLC
Condensed consolidated interim cash flow statement

	Note	H1 2022 $m (Unaudited)	H1 2021 $m (Unaudited)
Cash flows from operating activities			
Cash generated from operations	17	**213**	**312**
Income taxes paid		(44)	(88)
Net cash inflow from operating activities		**169**	**224**
Cash flow from investing activities			
Purchases of property, plant and equipment		(63)	(65)
Purchase of intangible assets		(56)	(29)
Proceeds from disposal of intangible assets		6	-
Addition of investments at FVTOCI		(14)	(1)
Acquisition of subsidiary undertakings net of cash acquired		(373)	-
Proceeds from investment divestiture		-	1
Interest income received		1	1
Acquisition related amounts held in escrow account		(4)	-
Payments of contingent consideration liability		(3)	-
Milestone payments of acquired contingent liability		-	(11)
Net cash outflow from investing activities		**(506)**	**(104)**
Cash flow from financing activities			
Proceeds from issue of long-term financial debts		950	3
Repayment of long-term financial debts		(254)	(21)
Proceeds from short-term borrowings		183	219
Repayment of short-term borrowings		(165)	(202)
Repayment of lease liabilities		(4)	(7)
Dividends paid	7	(83)	(78)
Interest and bank charges paid		(27)	(25)
Revolving credit facility upfront fees paid		(5)	-
Share buyback		(300)	-
Share buyback transaction cost		(3)	-
Payment to co-development and earnout payment agreement		(1)	(1)
Net cash inflow/(outflow) from financing activities		**291**	**(112)**
Net (decrease)/increase in cash and cash equivalents		**(46)**	**8**
Cash and cash equivalents at beginning of the half-year		**426**	**323**
Foreign exchange translation movements		(9)	(9)
Cash and cash equivalents at end of the half-year	11	**371**	**322**

1. General information

Hikma Pharmaceuticals PLC is a public limited liability company incorporated and domiciled in England and Wales under the Companies Act 2006. The registered office address is 1 New Burlington Place, London W1S 2HR, UK.

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

2. Accounting policies

Basis of preparation

The unaudited condensed consolidated interim financial statements (financial statements) for the six months ended 30 June 2022 have been prepared on a going concern basis in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34), IAS 34 as issued by the International Accounting Standards Board (IASB), and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, with the exception of changes in estimates that are required in determining the provision for income taxes in accordance with IAS 34 at 30 June 2022.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021, which has 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
ii) IFRS as issued by the International Accounting Standards Board (IASB)

The financial information does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for 2021 has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006. These interim financial statements have been reviewed, not audited.

The currency used in the presentation of the accompanying financial statements is the US dollar ($) as most of the Group's business is conducted in US dollars.

New standards interpretations and amendments adopted by the Group

The following revised Standards and Interpretations have been issued and are effective for annual periods beginning on 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Accounting policies continued

New standards interpretations and amendments adopted by the Group continued

IAS 16 (Amendments)	Property, Plant and Equipment: proceeds before intended use
IFRS 3 (Amendments)	Reference to the conceptual framework
IAS 37 (Amendments)	Onerous contracts - cost of fulfilling a contract
Annual improvements to IFRS standards 2018-2020	• Improvements to IFRS 9 Financial Instruments • Improvements to IFRS 16 Leases

These amendments had no significant impact on the interim financial statements of the Group but may impact the accounting for future transactions and arrangements.

Going concern

The Directors have considered the going concern position of the Group at 30 June 2022. The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. The Group's business activity, together with the factors likely to affect its future development, performance and position are set out in this Interim Results Press Release. The Interim Results Press Release also includes a summary of the financial position, cash flow and borrowing facilities.

At 30 June 2022 the Group had undrawn long term committed banking facilities of $658 million. The Group's total debt at 30 June 2022 was $1,551 million while the Group's cash and cash equivalents at 30 June 2022 balance was $371 million making the net debt[1] $1,180 million. The Group's net debt[1] to trailing EBITDA of 715 million ratio was 1.7x at 30 June 2022. Taking into account the Group's current position and its principal risks for a period of at least 12 months from the date of this results announcement , a going concern analysis has been prepared using realistic scenarios applying a severe but plausible downside considering the principal risks facing the business including delays to the pipeline, lower sales of newly launched products, increased price erosion impacting existing products, increased inflationary risks, and disruption in certain MENA markets, 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 and political outlook. Having reassessed the principal risks, the Directors have concluded it is appropriate to adopt the going concern basis of accounting in preparing the interim financial information and there is no material uncertainty requiring disclosure in this regard.

Financial covenants are suspended while the Group retains its investment grade status from two rating agencies[2]. Nevertheless, the covenants are monitored and the Group was in compliance on 30 June 2022 and expects to remain in compliance with those covenants in the period to 31 December 2023 even in the event of severe but plausible downside scenarios. As of 30 June 2022, the Group's investment grade rating was affirmed by S&P and Fitch

1. Group net debt is a non-IFRS measure that includes long and short-term financial debts (Note 15), lease liabilities, net of cash and cash equivalents. Group net debt excludes co-development and earnout payments, acquired contingent liabilities and contingent consideration (Notes 14 and 16)
2. Rating agencies: means each of Fitch, Moody's and S&P or any of their affiliates or successors

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3. Revenue from contracts with customers

Business and geographical markets

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

H1 2022 (unaudited)	Branded $m	Injectables $m	Generics $m	Others $m	Total $m
United States	-	361	330	-	691
Middle East and North Africa	335	76	-	3	414
Europe and Rest of the World	4	97	-	3	104
United Kingdom	-	4	-	-	4
	339	538	330	6	1,213

H1 2021 (unaudited)	Branded $m	Injectables $m	Generics $m	Others $m	Total $m
United States	-	318	400	-	718
Middle East and North Africa	316	77	-	3	396
Europe and Rest of the World	3	95	-	2	100
United Kingdom	-	2	-	-	2
	319	492	400	5	1,216

The top selling markets are shown below:

	H1 2022 $m	H1 2021 $m
	(Unaudited)	(Unaudited)
United States	691	718
Saudi Arabia	115	114
Algeria	70	52
Egypt	65	66
	941	950

In H1 2022, 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 $167 million (14% of Group revenue) and $158 million (13% of Group revenue), in H1 2021: $186 million (15% of Group revenue) and $149 million (12% of Group revenue).

4. Business segments

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

Core operating profit/(loss), 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.

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4. Business segments continued

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

Injectables	H1 2022 Core results (Unaudited) $m	H1 2022 Exceptional items and other adjustments (Note 5) (Unaudited) $m	H1 2022 Reported results (Unaudited) $m	H1 2021 Core results (Unaudited) $m	H1 2021 Exceptional items and other adjustments (Note 5) (Unaudited) $m	H1 2021 Reported results (Unaudited) $m
Revenue	538	-	538	492	-	492
Cost of sales	(229)	(12)	(241)	(219)	-	(219)
Gross profit/(loss)	**309**	**(12)**	**297**	**273**	**-**	**273**
Total operating expenses, net	(100)	(19)	(119)	(86)	(12)	(98)
Segment result	**209**	**(31)**	**178**	**187**	**(12)**	**175**

Branded	H1 2022 Core results (Unaudited) $m	H1 2022 Exceptional items and other adjustments (Note 5) (Unaudited) $m	H1 2022 Reported results (Unaudited) $m	H1 2021 Core results (Unaudited) $m	H1 2021 Exceptional items and other adjustments (Note 5) (Unaudited) $m	H1 2021 Reported results (Unaudited) $m
Revenue	339	-	339	319	-	319
Cost of sales	(165)	-	(165)	(166)	-	(166)
Gross profit	**174**	**-**	**174**	**153**	**-**	**153**
Total operating expenses	(100)	(4)	(104)	(89)	(5)	(94)
Segment result	**74**	**(4)**	**70**	**64**	**(5)**	**59**

Generics	H1 2022 Core results (Unaudited) $m	H1 2022 Exceptional items and other adjustments (Note 5) (Unaudited) $m	H1 2022 Reported results (Unaudited) $m	H1 2021 Core results (Unaudited) $m	H1 2021 Exceptional items and other adjustments (Note 5) (Unaudited) $m	H1 2021 Reported results (Unaudited) $m
Revenue	330	-	330	400	-	400
Cost of sales	(193)	-	(193)	(212)	-	(212)
Gross profit	**137**	**-**	**137**	**188**	**-**	**188**
Total operating expenses, net	(79)	(22)	(101)	(88)	34	(54)
Segment result	**58**	**(22)**	**36**	**100**	**34**	**134**

Others[1]	H1 2022 Core results (Unaudited) $m	H1 2022 Exceptional items and other adjustments (Note 5) (Unaudited) $m	H1 2022 Reported results (Unaudited) $m	H1 2021 Core results (Unaudited) $m	H1 2021 Exceptional items and other adjustments (Note 5) (Unaudited) $m	H1 2021 Reported results (Unaudited) $m
Revenue	6	-	6	5	-	5
Cost of sales	(3)	-	(3)	(3)	-	(3)
Gross profit	**3**	**-**	**3**	**2**	**-**	**2**
Total operating expenses	(1)	-	(1)	(1)	-	(1)
Segment result	**2**	**-**	**2**	**1**	**-**	**1**

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

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4. Business segments continued

Group	H1 2022 Core results (Unaudited) $m	H1 2022 Exceptional items and other adjustments (Note 5) (Unaudited) $m	H1 2022 Reported results (Unaudited) $m	H1 2021 Core results (Unaudited) $m	H1 2021 Exceptional items and other adjustments (Note 5) (Unaudited) $m	H1 2021 Reported results (Unaudited) $m
Segment result	343	(57)	286	352	17	369
Unallocated expenses[1]	(47)	-	(47)	(43)	-	(43)
Operating profit/(loss)	**296**	**(57)**	**239**	**309**	**17**	**326**
Finance income	1	12	13	1	29	30
Finance expense	(33)	(2)	(35)	(25)	(12)	(37)
Loss from investment at FVTPL	(2)	-	(2)	-	-	-
Profit/(loss) before tax	**262**	**(47)**	**215**	**285**	**34**	**319**
Tax	(52)	11	(41)	(62)	(9)	(71)
Profit/(loss) for the half-year	**210**	**(36)**	**174**	**223**	**25**	**248**
Attributable to:						
Non-controlling interests	1	-	1	-	-	-
Equity holders of the parent	209	(36)	173	223	25	248
	210	**(36)**	**174**	**223**	**25**	**248**

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

5. Exceptional items and other adjustments

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

H1 2022		Generics $m	Injectables $m	Branded $m	Unallocated $m	Total $m
Exceptional Items		**-**	**-**	**-**	**-**	**-**
		-	**-**	**-**	**-**	**-**
Other adjustments						
Unwinding of acquisition related inventory step-up	Cost of sales	-	(12)	-	-	(12)
Impairment of product related intangible assets	Other operating expenses	(2)	-	-	-	(2)
Intangible assets amortisation other than software	Selling, general and administrative expenses	(20)	(19)	(4)	-	(43)
Remeasurement of contingent consideration	Finance income	-	-	-	12	12
Unwinding of contingent consideration and other financial liability	Finance expense	-	-	-	(2)	(2)
Exceptional items and other adjustments included in profit before tax		**(22)**	**(31)**	**(4)**	**10**	**(47)**
Tax effect	Tax					11
Impact on profit for the half-year						**(36)**

Other adjustments:

- Unwinding of acquisition related inventory step-up reflects the unwinding of the fair value uplift of the inventory acquired as part of Custopharm Topco Holdings, Inc. business combination and Teligent Inc. assets acquisition ($10 million and $2 million, respectively) (Note 20).
- Impairment of product related intangible assets of $2 million relates to impairment charge of specific product related intangible assets due to discontinuation.
- Intangible assets amortisation other than software of $43 million.
- Remeasurement of contingent consideration finance income 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 14 and 16).

5. Exceptional items and other adjustments continued

– Unwinding of contingent consideration and other financial liability finance expense 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 14 and 16).

The tax effect represents the tax effect on pre-tax other adjustments which is calculated based on the applicable tax rate in each jurisdiction.

H1 2021		Generics $m	Injectables $m	Branded $m	Unallocated $m	Total $m
Exceptional Items		**-**	**-**	**-**	**-**	**-**
Other adjustments						
Impairment reversal of product related intangibles	Other operating income	46	-	-	-	46
Intangible assets amortisation other than software	Selling, general and administrative expenses	(12)	(12)	(5)	-	(29)
Remeasurement of contingent consideration	Finance income	-	-	-	29	29
Unwinding and remeasurement of contingent consideration and other financial liability	Finance expense	-	-	-	(12)	(12)
Exceptional items and other adjustments included in profit before tax		**34**	**(12)**	**(5)**	**17**	**34**
Tax effect	Tax					(9)
Impact on profit for the half-year						**25**

In H1 2021 other adjustments related to the following:

– $46 million impairment reversal in respect of generic Advair Diskus® intangible asset as a result of launching the product following FDA approval in April 2021 of an amendment submitted to its Abbreviated New Drug Application in January 2021.

– Intangible assets amortisation other than software of $29 million.

– Remeasurement of contingent consideration finance income represented 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 14 and 16).

– Unwinding and remeasurement of contingent consideration and other financial liability finance expense represented 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 14 and 16).

The tax effect represented the tax effect on pre-tax exceptional items and other adjustments which is calculated based on the applicable tax rate in each jurisdiction.

6. Tax

The Group incurred a tax expense of $41 million (H1 2021: $71 million). The reported effective tax rate for H1 2022 is 19.1% (H1 2021: 22.3%), representing the best estimate of the average annual effective tax rate expected for the full year on a legal entity basis, applied to the pre-tax income for H1 2022 and adjusted for the tax effect of any discrete items recorded in the same period.

The application of tax law and practice is subject to some uncertainty and amounts are provided where the likelihood of a cash outflow is probable.

The effective tax rate is broadly in line with the UK tax rate of 19%.

6. Tax continued

During 2021, the OECD published a framework for the introduction of a global minimum effective tax rate of 15%, applicable to large multinational groups. On 20 July 2022, HM Treasury released draft legislation to implement these 'Pillar 2' rules with effect for accounting periods beginning on or after 31 December 2023. The Group is reviewing these draft rules to understand any potential impact.

7. Dividends

	H1 2022 $m (Unaudited)	H1 2021 $m (Unaudited)
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2021 of 36 cents (2020: 34 cents) per share	83	78
	83	78

The proposed interim dividend for the H1 2022 is 19 cents (H1 2021: 18 cents) per share.

The proposed interim dividend will be paid on 20 September 2022 to eligible shareholders on the register at the close of business on 20 August 2022.

Based on the number of shares in issue at 30 June 2022 of 220,113,304 the total proposed interim dividends amount is $42 million.

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8. Goodwill and other intangible assets

The changes in the carrying value of goodwill and other intangible assets for the periods ended 30 June 2022 and 31 December 2021 are as follows:

	Goodwill	Other intangible assets			Total
	$m	Product-related intangible assets $m	Software $m	Other identified intangibles $m	$m
Cost					
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**
Additions	-	42	-	11	53
Acquisition of subsidiaries	120	251	-	-	371
Disposals	-	(3)	-	-	(3)
Translation adjustments	(11)	(2)	(2)	(5)	(20)
Balance at 30 June 2022	**802**	**1,344**	**140**	**263**	**2,549**
Accumulated Amortisation and Impairment					
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)**
Charge for the period	-	(36)	(6)	(7)	(49)
Impairment charge	-	(2)	-	-	(2)
Disposals	-	3	-	-	3
Translation adjustments	-	2	1	3	6
Balance at 30 June 2022	**(408)**	**(683)**	**(96)**	**(111)**	**(1,298)**
Carrying amount					
At 30 June 2022	**394**	**661**	**44**	**152**	**1,251**
At 31 December 2021	**285**	**406**	**51**	**150**	**892**

The current period intangible assets from acquisition of subsidiaries relating to the acquisition of Custopharm Topco Holdings, Inc., are set out in Note 20.

The current period product related additions mainly relate to the acquisition of the Canadian assets of Teligent Inc (Note 20).

During the period, the Group performed a review of its CGUs and other intangible assets, considering whether any indicators of impairment or impairment reversal existed at 30 June 2022 in the context of IAS 36. As a result, an impairment charge of $2 million in respect of specific product related intangible assets within the Generics CGU was recognised due to discontinuation.

9. Financial and other non-current assets

	30 June 2022 $m (Unaudited)	31 December 2021 $m (Audited)
Investments at FVTOCI	42	36
Other non-current assets	17	11
	59	47

Investments at FVTOCI include investments through the Group's venture capital arm, Hikma International Ventures and Development 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 period, the venture arm invested in five new companies and increased investment in two ventures.

One of the investments is a listed company with a readily determinable fair value that falls under level 1 valuation (Note 18). 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 18), their fair value is measured based on observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

During the period, total change in fair value was a net loss of $8 million (H1 2021: $nil) recognised in other comprehensive income.

Other non-current assets balance at 30 June 2022, mainly represent long term receivables, a sublease arrangement in US and upfront fees on a syndicated revolving credit facility. At 31 December 2021, the balance mainly represent long term receivables and a sublease arrangement in the US.

10. Trade and other receivables

	30 June 2022 $m	31 December 2021 $m
Gross trade receivables	1,130	1,107
Chargebacks and other allowances	(295)	(275)
Related allowance for expected credit loss	(51)	(51)
Net trade receivables	784	781
VAT and sales tax recoverable	44	32
Other receivables	3	3
Net trade and other receivables	831	816

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

11. Cash and cash equivalents

	30 June 2022 $m (Unaudited)	31 December 2021 $m (Audited)
Cash at banks and on hand	276	155
Time deposits	72	249
Money market deposits	23	22
	371	426

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 18).

12. Other current assets

	30 June 2022 $m (Unaudited)	31 December 2021 $m (Audited)
Prepayments	80	65
Investment at FVTPL	22	24
Others	11	8
	113	97

Investments 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 condensed consolidated income statement. These assets are classified as level 1 valuation (Note 18) as they are based on quoted prices in active markets.

Others mainly represents compensation due from suppliers in relation to inventory price adjustment.

13. Trade and other payables

	30 June 2022 $m (Unaudited)	31 December 2021 $m (Audited)
Trade payables	255	262
Accrued expenses	160	194
Other payables	13	12
	428	468

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

14. Other current liabilities

	30 June 2022 $m (Unaudited)	31 December 2021 $m (Audited)
Contract liabilities	199	213
Co-development and earnout payment (Note 16 and 18)	2	2
Acquired contingent liability (Note 16)	9	15
Contingent consideration (Note 16 and 18)	25	12
Indirect rebates and other allowances	85	80
Others	28	17
	348	339

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.

Indirect rebates and other allowances: mainly represents rebates granted to healthcare authorities and other parties under contractual arrangements with certain indirect customers.

15. Financial debts

Short-term financial debts

	30 June 2022 $m (Unaudited)	31 December 2021 $m (Audited)
Bank overdrafts	5	3
Import and export financing[1]	70	58
Short-term loans	1	3
Current portion of long-term loans	52	48
	128	112

1.Import and export financing represents short-term financing for the ordinary trading activities of the Group.

15. Financial debts continued

Long-term financial debts

	30 June 2022 $m (Unaudited)	31 December 2021 $m (Audited)
Long-term loans	898	207
Long-term borrowings (Eurobond)	494	492
Less: current portion of long-term loans	(52)	(48)
Long-term financial loans	1,340	651
Breakdown by maturity:		
Within one year	52	48
In the second year	35	44
In the third year	32	37
In the fourth year	522	524
In the fifth year	736	23
In the sixth year	14	22
Thereafter	1	1
	1,392	699

The loans are held at amortised cost.

Major arrangements entered into by the Group:

a) A syndicated revolving credit facility of $1,175 million was entered into on 27 October 2015. On 29 December 2021, $1,150 million of the initial $1,175 million were renewed (effective 4 January 2022) until January 2027 with an extension option of 2 years. At 30 June 2022 the facility has an outstanding balance of $710 million (2021: $nil) and a $440 million unused available limit (2021: $870 million). The utilised facility was used to finance acquisitions and for other 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 in April 2020. Quarterly equal repayments of the long-term loan commenced on 15 March 2021 with an outstanding balance at 30 June 2022 of $118 million (fair value of $118 million). The loan was used for general corporate purposes. The facility matures on 15 December 2027.

c) A $500 million (carrying value of $494 million, and fair value of $475 million) 3.25%, five-year Eurobond was issued on 9 July 2020 with a rating of BBB- (S&P & Fitch) which is due in July 2025. The proceeds of the issuance 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 30 June 2022. The facility matures on 15 September 2028 and can be used for general corporate purposes.

15. Financial debts continued

Interbank Offered Rates (IBORs) Reform

As at 30 June 2022, approximately 46% ($710 million) of the Group's utilised debt portfolio as well as $762 million of the Group's unutilised debt facilities, have USD LIBOR as the benchmark interest rate. The unutilised

debt facilities relate mainly to the Group's syndicated revolving credit facility and the $200 million IFC loan. The Group has not identified any other significant IBOR exposures that are expected to be impacted by IBOR reform.

The Group is monitoring the market developments surrounding the IBOR reform. To date the Group has identified the need to amend the credit facilities which reference USD LIBOR to be replaced with alternative reference rate that is expected to be economically equivalent to USD LIBOR.

16. Other non-current liabilities

	30 June 2022 $m (Unaudited)	31 December 2021 $m (Audited)
Contingent consideration (Note 14 and 18)	32	58
Acquired contingent liability (Note 14)	70	68
Co-development and earnout payment (Note 14 and 18)	2	2
Others	4	12
	108	140

Contingent consideration and acquired contingent liability 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 royalty payments based on future sales of certain products. These liabilities were recognised as part of the Columbus business acquisition. The current portion of these liabilities are recognised in other current liabilities (Note 14).

17. Cash generated from operating activities

	H1 2022 $m (Unaudited)	H1 2021 $m (Unaudited)
Profit before tax	215	319
Adjustments for:		
Property, plant and equipment depreciation	39	39
Intangible assets amortisation and impairment charges/(reversals), net	51	(12)
Right-of-use of assets depreciation	5	5
Unwinding of acquisition related inventory step-up	12	-
Loss from investment at FVPTL	2	-
Movement in provisions	-	1
Gains on disposal of intangible assets	(6)	-
Cost of equity-settled employee share scheme	10	16
Finance income	(13)	(30)
Finance expense	35	37
Foreign exchange loss and net monetary hyperinflation impact	8	16
Changes in working capital:		
Change in trade and other receivables	(7)	(63)
Change in other current assets	(25)	11
Change in inventories	(78)	11
Change in trade and other payables	(19)	(60)
Change in other current liabilities	(16)	22
Cash flow from operating activities	**213**	**312**

18. 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 values which approximates to their fair value:

- Cash at bank and on hand and time deposit– 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 30 June 2022 of $494 million, and fair value at 30 June 2022 of $475 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 (Note 15)
- A ten-year $150 million loan from the International Finance Corporation with outstanding balance of $118 million (fair value at 30 June 2022 of $118 million). Fair value is estimated by discounting

18. Fair value of financial assets and liabilities continued

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

The following financial assets/liabilities are presented at their fair value:

Fair value measurements At 30 June 2022	Level 1	Level 2	Level 3	**Total**
Financial Assets				
Investments at FVTPL (Note 12)	22	-	-	**22**
Money market deposit (Note 11)	23	-	-	**23**
Investments in listed companies at FVTOCI (Note 9)	5	-	-	**5**
Investments in unlisted shares at FVTOCI (Note 9)	-	-	37	**37**
Total financial assets	**50**	**-**	**37**	**87**
Financial Liabilities				
Co-development and earnout payment liabilities (Note 14 and 16)	-	-	4	**4**
Contingent consideration liability resulting from the acquisition of the Columbus business (Note 14 and 16)	-	-	57	**57**
Hedging financial derivatives	-	1	-	**1**
Total financial liabilities	**-**	**1**	**61**	**62**

Fair value measurements At 31 December 2021	Level 1	Level 2	Level 3	**Total**
Financial Assets				
Investments at FVTPL (Note 12)	24	-	-	**24**
Money market deposit (Note 11)	22	-	-	**22**
Investments in listed companies at FVTOCI (Note 9)	14	-	-	**14**
Investments in unlisted shares at FVTOCI (Note 9)	-	-	22	**22**
Total financial assets	**60**	**-**	**22**	**82**
Financial Liabilities				**-**
Co-development and earnout payment liabilities (Note 14 and 16)	-	-	4	**4**
Contingent consideration liability resulting from the acquisition of the Columbus business (Note 14 and 16)	-	-	70	**70**
Total financial liabilities	**-**	**-**	**74**	**74**

18. Fair value of financial assets and liabilities continued

The following table presents the changes in Level 3 items for H1 2022, and the year ended 31 December 2021:

	Financial asset $m	Financial liability $m
Balance at 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 and 1 January 2022	22	74
Settled	-	(3)
Remeasurement of contingent consideration and other financial liability recognised in finance income	-	(12)
Unwinding of contingent consideration and other financial liability recognised in finance expense	-	2
Change in fair value of investments at FVTOCI	1	-
Additions	14	-
Balance at 30 June 2022	**37**	**61**

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 5 years using a post-tax discount rate of 8.1%. The key assumption used for this valuation is the sales projections informed by pricing and volume assumptions. The valuation for milestone payment is based on 100% probability of success-based milestone discounted using a discount rate of 4.7%.

If the future sales were 5% higher, the fair value of the contingent consideration will increase by $2 million (H1 2021: $5 million) and if they were 5% lower the contingent consideration will decrease by $3 million (H1 2021: $5 million). (Notes 14 and 16).

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 (H1 2021: $1 million) (Notes 14 and 16).

19. Share capital

Issued and fully paid – included in shareholders' equity:

	Number of shares	$m
31 December 2021 and 1 January 2022 (audited)	244,331,288	42
Exercise of employees share scheme	1,114,919	-
Ordinary Shares purchased and cancelled	(12,499,670)	(1)
Issue of Ordinary Bonus Share	1	1,746
Cancellation of Ordinary Bonus Share	(1)	(1,746)
30 June 2022 (unaudited)	232,946,537	41

At 30 June 2022, of the issued share capital, 12,833,233 (2021: 12,833,233) are held as Treasury shares and 220,113,304 (2021: 231,498,055) shares are in free issue.

Bonus Share issuance and cancellation

As a result of the establishment of the Hikma Pharmaceuticals PLC (Company) as the ultimate parent company of the Hikma Pharmaceuticals PLC Group, and the Company's acquisition of Columbus business

19. Share capital continued

in 2016, a merger reserve of $1,746 million was recorded on the Company's balance sheet. This merger reserve did not form part of the Company's distributable reserves.

At the 20 May 2022 Extraordinary General Meeting (EGM), the Board approved the capitalisation of the merger reserve and the issuance of a Bonus Share with a $1,746 million nominal value. This share was subsequently cancelled through a capital reduction, creating $1,746 million of distributable reserves to the Company.

Share buyback programme

During the period, the Group executed a share buyback programme of $300 million. A total of 12,499,670 shares were purchased and cancelled. The Group incurred $3 million of transaction cost directly attributable to the share buyback which was recognised in equity.

Treasury Shares

At 30 June 2022, the Group holds 12,833,233 as Treasury shares (31 December 2021: 12,833,233). The voting rights attached to these Treasury shares are not capable of exercise.

20. Acquisitions

Custopharm Topco Holdings, Inc.

On 21 April 2022, the Group acquired 100% of the issued share capital of Custopharm Topco Holdings, Inc. for a cash consideration of $373 million on a debt and cash-free basis from Water Street Healthcare Partners (Water Street), following approval from the US Federal Trade Commission.

Custopharm Topco Holdings, Inc. is the parent of five companies including two companies with 16% and 10% non-controlling interests' ownership.

The net assets acquired in the transaction and the goodwill are provisional pending the final valuation of those assets.

The assets and liabilities recognised as a result of the acquisition are as follows:

	$m
Product related intangible assets (Note 8)	251
Property, Plant and Equipment	1
Inventories, net	34
Trade receivables, net	31
Cash and cash equivalents	19
Trade and other payables	(6)
Other current liabilities	(9)
Deferred tax liabilities	(47)
Net identifiable assets acquired	**274**
Add: goodwill	120
Net assets acquired	**394**
Less: non-controlling interests	(2)
Total consideration	**392**
Satisfied by:	
Cash consideration	392
Less: Cash and cash equivalents acquired	(19)
Net cash outflow arising from acquisition	**373**

20. Acquisitions continued

The goodwill arising represents the synergies that will be obtained by integrating Custopharm and its R&D capabilities, adding an experienced team with a proven ability to develop and commercialise complex sterile

injectable products into the existing business and increasing the scale of the Injectables business. Goodwill will not be deductible for tax purposes.

For the non-controlling interests, the Group recognised the proportion of the net identifiable assets and liabilities.

Acquisition related costs amounted to $2 million (2021: $2 million) are included in the selling, general and administrative expenses in the condensed consolidated interim income statement.

The fair value of acquired trade receivables is $31 million. The gross contractual amount for trade receivables due is $55 million, none of which is expected to be uncollectible. Chargebacks and other allowances are deducted from the gross amount to arrive at the trade receivables balance of $31 million.

The business was acquired on 21 April 2022 and contributed $15 million revenue, $4 million reported loss and $9 million core profit (excluding amortisation of intangible assets and the unwinding of the inventory step-up resulting from the fair valuation of those assets) for the period.

If the acquisition had occurred on the first day of the financial year, the acquisition would have contributed approximately $43 million to Group revenue, $16 million reported loss and $18 million core profit (excluding amortisation of intangible assets and the unwinding of the inventory step-up resulting from the fair valuation of those assets).

Teligent asset acquisition

On 17 January 2022, Hikma announced that it has agreed to acquire the Canadian assets of Teligent Inc. (Teligent), the transaction was completed on 2 February 2022 and Hikma paid a cash consideration of $46 million.

The acquisition was assessed under the optional concentration test in IFRS 3 and was determined to be an asset acquisition, since substantially all the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets namely Intangible assets – Product rights, with significantly the same risk characteristics, as they relate to mature products with similar profit margins and distribution channels (Note 8).

21. Related party balances and transactions

No significant transactions between the Group and its associates and other related parties were undertaken during the half-year. Any transactions between the Company and its subsidiaries have been eliminated on consolidation.

22. 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 $47 million (31 December 2021: $45 million) arising in the normal course of business. No provision for these liabilities has been made in these financial statements.

A contingent liability existed at the balance sheet date for a potential stamp duty obligation of $10 million (31 December 2021: $10 million) that may arise for a repayment of a loan by intercompany guarantors. It is 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 provide for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable.

Starting in 2016, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchaser of generic drug products, as well as several individual direct purchasers opt-out plaintiffs. 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 certain Group entities and various other defendants. The plaintiffs generally seek damages and injunctive relief under federal antitrust law and damages under various state laws. The Group 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, the Group does not believe sufficient evidence exists to make any provision.

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 certain Group entities 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. The Group 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, the Group does not believe sufficient evidence exists to make any provision.

Numerous complaints have been filed against certain Group entities with respect to the manufacture of opioid products. Those complaints now total approximately 841 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 courts. Seven cases have been filed in Canadian 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

22. Contingent liabilities continued

diversion of such products. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. The Group 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, the Group does not believe sufficient evidence exists to make any provision.

In November 2020, Amarin Pharmaceuticals filed a patent infringement lawsuit against certain Group entities 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, and as of the date of this results announcement , Amarin has stated that it intends to appeal the court's dismissal. The Group denies the allegations and will vigorously defend against them if necessary. The Group does not believe sufficient evidence exists to make any provision.