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Press Release

Hikma delivers a resilient underlying performance in 2022

Good performance in Injectables and Branded partially offsets competitive pressures in Generics. All three businesses set to grow in 2023

London, 23 February 2023 – Hikma Pharmaceuticals PLC ('Hikma' or 'Group'), the multinational pharmaceutical company, today reports its preliminary audited results for the year ended 31 December 2022.

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

"Hikma's diversified business model has enabled our core underlying business to deliver a resilient performance in 2022.

Our Injectables and Branded businesses performed well, helping to partially offset the decline in Generics. In Injectables, we have leveraged our best-in-class manufacturing capabilities, flexibility and efficiency to serve our customers, while investing in R&D to strengthen an increasingly differentiated pipeline of products. In Branded, we have again grown market share, focusing on chronic disease areas, further cementing our position as one of the leading pharmaceutical companies in the MENA region. While our Generics business has been impacted by industry-wide competitive pressures, we have focused on controlling our costs, driving efficiencies and building our specialty portfolio, which will support the outlook for this business going forward.

Looking ahead, we are confident that we will deliver good growth across all three of our businesses in 2023 as we continue to expand our product portfolio and enhance our manufacturing and commercial footprint."

Reported results[1] (statutory)	**2022 $ million**	2021 $ million	Change	Constant currency[2] change
Revenue	**2,517**	2,553	(1)%	0%
Operating profit	**282**	582	(52)%	(47)%
EBITDA[3]	**680**	727	(6)%	(3)%
Profit attributable to shareholders	**188**	421	(55)%	(49)%
Cashflow from operating activities	**530**	638	(17)%	-
Basic earnings per share (cents)	**83.9**	182.3	(54)%	(47)%
Total dividend per share (cents)	**56**	54	4%	-

Core results[4] (underlying)	**2022 $ million**	2021 $ million	Change	Constant currency[2] change
Core revenue	**2,517**	2,553	(1)%	0%
Core operating profit	**596**	632	(6)%	(1)%
Core EBITDA[3]	**694**	727	(5)%	(1)%
Core profit attributable to shareholders	**406**	450	(10)%	(4)%
Core basic earnings per share (cents)	**181.3**	194.8	(7)%	(2)%

[1] 2022 reported results include non-cash exceptional items related to impairments – further information can be found below

[2] Constant currency numbers in 2022 represent reported 2022 numbers translated using 2021 exchange rates, excluding price increases in the business resulting from the devaluation of the Sudanese pound and excluding the impact from hyperinflation accounting.

[3] EBTIDA is earnings before interest, tax, depreciation, amortisation, assets write-down, impairment charges/reversals and unwinding of acquisition related inventory step-up. Core EBITDA is adjusted for exceptional items. EBITDA is a non-IFRS measure, see page 16 for a reconciliation to reported IFRS results

[4] Core results throughout the document are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 5 of the consolidated financial statements set out in this release. Core results are a non-IFRS measure and a reconciliation to reported IFRS measures is provided on page 15

Diversified business model underpins resilient core performance

- Group revenue down 1% - a good performance from Injectables and Branded, offset by the effect of severe competitive pressures in Generics and foreign exchange headwinds in MENA
- Core operating profit down 6%, reflecting the significant reduction in Generics profit and the impact of inflation. Reported operating profit down 52%, reflecting impairment charges totalling $181 million primarily related to changes in our longer-term expectations for generic Advair Diskus® and excess respiratory production capacity resulting from the rationalisation of our R&D pipeline
- Core profit attributable to shareholders down 10% and reported profit attributable to shareholders down 55%
- Cashflow from operating activities down 17% to $530 million primarily reflecting the reduction in core operating profit and an increase in inventories to ensure continuity of supply
- 6% of revenue invested in R&D, supporting a growing pipeline of complex and specialty products
- Maintained a healthy balance sheet. Following acquisitions and share buyback, leverage remained low at 1.5x net debt to core EBITDA[5] (31 December 2021: 0.6x)
- Full-year dividend of 56 cents per share, up from 54 cents per share in 2021

Continued momentum in Injectables and Branded partially offset Generics decline

- Injectables: revenue up 8% including contributions from acquisitions and a good performance in Europe. Injectables core operating profit increased by 8% with a core operating margin of 37.5%
- Branded: revenue up 3% (7% in constant currency) reflecting a good contribution across most markets which offset foreign exchange headwinds. Continued product mix improvements drove core operating profit growth of 17% and a core operating margin of 21.1%
- Generics: revenue declined 18%, driven by significant price and volume erosion, introduction of fewer new products and a slower than expected ramp-up of recent launches. Core operating profit declined to $103 million and core operating margin was 15.3%

Strong strategic progress, including geographic expansion, focus on new products

- Injectables growth driven by acquisitions, new launches and expansion into new geographies and partnerships:
  - Successfully completed and integrated the acquisitions of Custopharm Inc. in the US and Teligent's assets in Canada
  - Signed further deals for our growing biosimilar portfolio in MENA, including for ustekinumab and Vegzelma® with Celltrion Healthcare
  - Increased European presence with entry into France
- Branded continuing to benefit from tiering structure, with ongoing opportunities to grow market share:
  - Hikma now third largest MENA pharmaceutical company by sales, up from fourth largest in 2021[6]
  - Strong contribution from high-value chronic medications
- Expanding our Generics specialty portfolio and strengthening operations:
  - Broadening portfolio with focus on higher barrier to entry specialty products, including the launch of Ryaltris® nasal spray
  - Streamlining our business, including restructuring our cost base
  - Further investment in our commercial capabilities to support a growing specialty portfolio

2023 outlook

- Injectables revenue growth in the range of 7% to 9%, with core operating margin in the range of 36% to 37%
- Branded revenue growth in the mid to high-single-digits in constant currency
- Generics revenue growth in the low double-digits, core operating margin in the range of 16% to 18%

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

[6] IQVIA Midas MAT September 2022 for Algeria, Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Tunisia, UAE. USD sales

Further information:
A pre-recorded presentation will be available at www.hikma.com at 07:00 GMT. Hikma will also hold a live Q&A webinar at 11:00am GMT, and a recording will be made available on the Company's website.

A link to register for the webinar can be found on our website at the following link:

https://www.hikma.com/investors/results-reports-and-presentations

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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 North America, 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 8,800 colleagues are helping to shape a healthier world that enriches all our communities. We are a leading licensing partner, and through our venture capital arm, are helping bring innovative health technologies to people around the world. For more information, please visit: www.hikma.com

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

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STRATEGIC REVIEW

Hikma was founded 45 years ago to increase access to affordable medicines. As the Group continues to grow, we strive to deliver on our purpose of putting better health within reach, every day by making medicines more accessible and more affordable for millions of people around the world.

Diversified business model underpins resilient core performance

Group revenue declined 1% versus the prior year, with a reduction in core operating profit of 6%. At a divisional level, we saw a variation in performance with the effect of severe industry-wide competitive pressures in Generics partially offset by good growth from our larger Injectables and Branded businesses.

Injectables revenue grew 8%, with core operating profit up 8%. This is a high-quality global operation with multiple levers for growth. In the US, we benefitted from recent launches, including 12 during 2022, and revenue contribution from the Custopharm acquisition. In MENA, where we are investing in local manufacturing for our own products, we saw good demand across our portfolio, particularly for our biosimilar products. In Europe and Rest of World (ROW), we are benefitting from a growing portfolio and our ability to respond to market shortages in Germany. Our business in Canada is also performing well following the acquisition of Teligent's Canadian assets.

Our Branded business continues to grow and is now the third largest pharmaceutical company in the MENA region[7]. The business achieved a good overall performance while absorbing currency headwinds in our North African markets, with revenue growth of 3% and core operating profit up 17%. Our growth was driven by strong demand for medicines focused on chronic illnesses, including our growing oral oncology portfolio. We also saw a normalisation in demand for anti-infectives, following some reductions in prior years due to the COVID-19 pandemic.

Our Generics business was impacted by the intense competitive environment in the US, which drove low double-digit price erosion and mid single-digit volume erosion. We also had a limited introduction of new products and a slower than expected ramp-up of recently launched products. These factors resulted in a reduction in revenue of 18% compared with 2021 and a decline in core operating profit of 49%. Despite these challenges and thanks, in part, to the focus we have put on improving efficiencies in recent years, we delivered a core operating margin of 15.3%, in line with our guidance, and core operating profit of $103 million.

Like many other businesses, we have also had to navigate the challenges of operating in a volatile macroeconomic environment. We experienced an increase in costs due to inflation, including higher shipping, utilities and employee benefits costs. We were also impacted by a rise in interest rates. Through operating efficiencies, we were able to absorb these increases to a large degree, minimising their overall impact and demonstrating the strength and resilience of our underlying business.

Investing to deliver on our strategy

Our strategy is centred on three pillars: delivering more from a strong foundation, building a portfolio that anticipates future health needs and inspiring and enabling our people.

Injectables is delivering more from its strong foundation by focusing on optimising our global operational footprint to increase flexibility and efficiency. This means sharing our engineering expertise across our plants, leveraging our ability to supply our markets from across our operational base, and ensuring the manufacture of our broad portfolio can adapt to meet changing demand.

We have continued to invest in increasing capacity, with new high-speed lines being added in Portugal

[7] IQVIA Midas MAT September 2022 for Algeria, Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Tunisia, UAE. USD sales

and New Jersey and construction is underway for new Injectables plants in Algeria and Morocco. We have a new R&D leadership structure that is focused on adding more complex products to our portfolio. We are establishing our new sterile compounding business in the US and, while still in its infancy, this business is set to be an important contributor to Hikma in the future as we establish ourselves as a leading compounder in the US. We continue to make good strategic progress in our MENA Injectables business. In 2022, we signed new licensing deals with Celltrion Healthcare and Junshi Biosciences for biosimilar and biologic products. Finally, we continue to expand in Europe with our entry into France, and are making good progress in Canada. We expect these markets to be an important growth driver in the years ahead.

Branded has benefitted from our strong local presence and the tiering structure we introduced in 2018, where we focus on our highest value markets. We saw good progress in most markets in 2022 and our flexible and local manufacturing facilities and broad portfolio allowed us to be nimble and adapt quickly to evolving demand. In 2022 we became the third largest pharmaceutical company in MENA[8] – up from the fourth largest in 2021 and our ambition is to keep growing and identifying opportunities where we can further expand our market share. We are investing our R&D in complex and chronic disease areas, such as diabetes, cardiovascular and oncology, and continue to value the importance of partnerships, as well as selling our own products. We are also adding new lines, capabilities and expanding capacity across our MENA markets to ensure we are able to respond to growing market needs.

Our Generics business has continued to build its specialty portfolio of higher barrier-to-entry products and dosage forms that are more insulated from pricing pressure. By achieving a better balance between traditional generics and more durable products, the business will be on a stronger footing for the future. We have a state-of-the-art manufacturing facility in Columbus, Ohio, and we will increasingly leverage its capabilities, capacity and quality record for strategic contract manufacturing to help improve the resilience of the business.

Acting responsibly for all our stakeholders

At Hikma, we divide our sustainability strategy into four focus areas: advancing health and wellbeing, empowering our people, protecting the environment and building trust through quality in everything we do.

Advancing health and wellbeing is built into our purpose. For our customers and the patients they care for, we have been launching more products and ensuring availability of existing products, working closely with hospitals, pharmacies and buying groups to ensure their needs are met. In 2022 we launched 182 products across our markets. We are also committed to working closely with our communities, a practice which is ingrained across Hikma's operations. For example, in response to extreme floods in Sudan, we worked alongside the Chamber of Industry in the city of Managil to provide malaria medications to more than 2,800 people, and in Jordan, Egypt and Algeria we are supporting 40 refugees by providing higher education scholarships and internship opportunities.

We are all too aware of the threat of climate change and we have been working hard to achieve our target of reducing Scope 1 and 2 emissions by 25% by 2030. During 2022 we enhanced our capacity for solar energy generation in our Portugal site, and achieved LEED certification for our new head office in Amman, Jordan. We are also focusing on our Scope 3 emissions, working with a third party agency to better understand the impact of our upstream supply chain so that we can begin to make improvements in this important area. More information around our progress will be available in our Annual Report, to be published on 16 March 2023.

Our people are vital to our success, and we are proud of our culture and values. Culture is forged in our history. Many of our staff have been with us for decades, and this corporate memory can be passed on

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

to our newer recruits. We are one global company united by a simple vision and this has been the case since the business was founded 45 years ago.

Our culture also results in a quality mindset. In this industry, failures in quality systems can put lives at risk. We care greatly about what we do, demonstrated by the relentless focus on the highest quality at our plants, whether it be through the number of quality professionals, the high levels of automation in the plants, or the rigorous levels of testing that our finished products go through.

Governance and leadership

In June 2022, Siggi Olafsson stepped down as CEO. Our Executive Chairman, Said Darwazah, returned to his previous role as CEO, providing important strategic continuity. The search for a new CEO is ongoing and an update will be provided when an appointment is made.

In the second half of the year, we welcomed three new independent non-executive directors to the Board. Victoria Hull, Deneen Vojta and Laura Balan collectively bring a wealth of experience covering the US and global healthcare industries and capital markets. We are pleased to report that we now have 45% female representation on the Board.

2023 Outlook

We remain confident in our strategy and expect to continue the strong growth seen in Injectables and Branded this year, and for Generics to return to growth in 2023.

For Injectables, we expect revenue to grow between 7% and 9% and for core operating margin to be between 36% and 37%. This reflects our broad portfolio and flexible manufacturing capabilities across our geographies, supported by new product launches.

For Branded, we expect mid to high single-digit constant currency revenue growth, driven by our expanding portfolio and focus on chronic medications.

For Generics, we expect to grow in the low double-digits and for core operating margin to be between 16% and 18%. This reflects contribution from new launches supported by our commercial strength.

We expect Group core net finance expense to be around $78 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.

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FINANCIAL REVIEW

The financial review set out below summarises the reported and core[9] performance of the Hikma Group and our three main business segments, Injectables, Branded and Generics for the year ended 31 December 2022.

Group

	2022 $ million	2021 $ million	Change	Constant currency change
Revenue	**2,517**	2,553	(1)%	0%
Core revenue	**2,517**	2,553	(1)%	0%
Gross profit	**1,238**	1,301	(5)%	(4)%
Core gross profit	**1,265**	1,301	(3)%	(2)%
Core gross margin	***50.3%***	*51.0%*	*(0.7)pp*	*(1.0)pp*
Operating profit	**282**	582	(52)%	(47)%
Core operating profit	**596**	632	(6)%	(1)%
Core operating margin	***23.7%***	*24.8%*	*(1.1)pp*	*(0.5)pp*
EBITDA	**680**	727	(6)%	(3)%
Core EBITDA	**694**	727	(5)%	(1)%

Group revenue was down 1% reflecting a weaker performance in Generics, partially offset by good growth in Injectables and Branded. Group gross margin reduced slightly, due to the decline in Generics gross margin which was partially offset by the improvement in product mix in Injectables and Branded.

Group operating expenses were $956 million (2021: $719 million). Excluding adjustments related to the amortisation of intangible assets (other than software) of $92 million (2021: $73 million) and exceptional items of $195 million (2021: $23 million net income), Group core operating expenses were $669 million (2021: $669 million).

Selling, general and administrative (SG&A) expenses were $615 million (2021: $561 million). Excluding the amortisation of intangible assets (other than software) and exceptional items, core SG&A expenses were $509 million (2021: $488 million), up 4%, primarily due to an increase in spend in Injectables related to the consolidation of recent acquisitions, an increase in investment as we enter new and adjacent markets, and an increase in shipping costs due to inflation.

Research and development (R&D) expenses were $144 million (2021: $143 million), representing 6% of Group core revenue (2021: 6%), in line with our strategy.

[9] Core results throughout the document are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 5 of the consolidated financial statements set out in this release. Core results are a non-IFRS measure and a reconciliation to reported IFRS measures is provided on page 15

Other net operating expenses were $192 million (2021: $15 million) reflecting impairment charges totalling $181 million primarily related to changes in our longer-term expectations for generic Advair Diskus® and excess respiratory production capacity resulting from the rationalisation of our R&D pipeline. Excluding exceptional items[10], core other net operating expenses were $11 million (2021: $38 million), primarily reflecting foreign exchange-related costs which were partially offset by income from product disposals and legal settlements.

The reduction in core operating profit by 6% and core operating margin to 23.7% were primarily driven by the decline in Generics, which was partially offset by the good performance in Injectables and Branded.

Group core revenue by business segment

	2022 $ million		2021 $ million	
Injectables	**1,141**	45%	1,053	41%
Branded	**691**	27%	669	26%
Generics	**672**	27%	820	32%
Others	**13**	1%	11	0%
Total	**2,517**		2,553	

Group core revenue by region

	2022 $ million		2021 $ million	
US	**1,433**	57%	1,511	59%
MENA	**866**	34%	847	33%
Europe and ROW	**218**	9%	195	8%
Total	**2,517**		2,553	

[10] In 2022, exceptional items comprised a $80 million impairment charge on PPE and right-of-use-assets and a $101 million impairment charge on intangible assets. In 2021, exceptional items comprised a $60 million impairment reversal of product related intangibles, a $24 million charge of product related intangibles and a $13 million intangible assets write-down. Refer to Note 5 of the consolidated financial statements set out in this release for further information

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Injectables

	2022 $ million	2021 $ million	Change	Constant currency change
Revenue	**1,141**	1,053	8%	10%
Core revenue	**1,141**	1,053	8%	10%
Gross profit	**617**	581	6%	7%
Core gross profit	**643**	581	11%	11%
Core gross margin	***56.4%***	*55.2%*	*1.2pp*	*0.3pp*
Operating profit	**345**	351	(2)%	(3)%
Core operating profit	**428**	395	8%	8%
Core operating margin	***37.5%***	*37.5%*	*0.0pp*	*(1.0)pp*

Injectables revenue grew 8% in 2022, 10% in constant currency, benefitting from our broad portfolio and new launches as well as a good contribution from the acquisitions of Custopharm Inc. in the US and Teligent's Canadian assets. Organic revenue growth was 2% reported and 4%[11] in constant currency.

US Injectables revenue grew 10% to $761 million (2021: $691 million), reflecting $53 million sales contribution from the Custopharm acquisition, which closed in April, as well as a good contribution from our broad portfolio and recent launches.

Europe and ROW Injectables revenue was $202 million, up 11% (2021: $182 million). In constant currency, Europe and ROW Injectables revenue increased by 20%. We are benefitting from good demand across most of our markets, particularly in Germany, and a $17 million contribution from the acquisition of Teligent's Canadian assets.

MENA Injectables revenue was $178 million, down 1% (2021: $180 million) primarily due to the impact of foreign exchange headwinds in our North African markets. On a constant currency basis, revenue was up 2%, reflecting the impact of hyperinflation on 2021 revenue. Excluding this impact, we saw good underlying growth driven by demand across our portfolio, particularly our growing biosimilar portfolio, as we continue to launch into new markets.

Core gross profit grew 11% to $643 million and core gross margin was 56.4%, reflecting an improvement in product mix, which more than offset an increase in costs due to inflation.

Injectables core operating profit, which excludes the amortisation of intangible assets (other than software)[12] grew 8% and core operating margin was 37.5%. This reflects the increase in gross profit which more than offset higher R&D in the US as we build a pipeline of complex products, an increase in sales and marketing costs to support our expansion into Europe, spending on the establishment of our new sterile compounding business in the US, spend related to the integration of recent acquisitions, as well as an increase in costs due to inflation, including for shipping and utilities.

[11] This excludes revenue contribution from Custopharm of $53 million and Teligent's Canadian assets of $17 million

[12] Exceptional items comprised a $4 million impairment charge on PPE and right-of-use assets, a $26 million unwinding of acquisition related inventory step-up, a $8 million impairment charge on intangible assets and reorganisation costs of $2 million. Amortisation of intangible assets (other than software) was $43 million. In 2021, exceptional items comprised a $10 million impairment of product related intangibles and a $1 million intangible assets write-down. 2021 amortisation of intangible assets (other than software) was $33 million. Refer to Note 5 of the consolidated financial statements set out in this release for further information

During the year, the Injectables business had 12 launches in the US, 41 in MENA and 47 in Europe and ROW. We submitted 149 filings to regulatory authorities across all markets. This reflects the ongoing expansion of our European portfolio. We also signed new licensing deals, including three new biosimilars for the MENA market.

In 2023, we expect Injectables revenue to grow in the range of 7% to 9%. We expect core operating margin to be in the range of 36% to 37%.

Branded

	2022 $ million	2021 $ million	Change	Constant currency change
Revenue	**691**	669	3%	7%
Core revenue	**691**	669	3%	7%
Gross profit	**350**	328	7%	12%
Core gross profit	**350**	328	7%	12%
Core gross margin	***50.7%***	*49.0%*	*1.7pp*	*2.3pp*
Operating profit	**136**	104	31%	57%
Core operating profit	**146**	125	17%	38%
Core operating margin	***21.1%***	*18.7%*	*2.4pp*	*5.5pp*

Our Branded business grew revenue 3% in 2022, which includes the impact of hyperinflation and foreign exchange headwinds. In constant currency, revenue grew 7%, with a good performance across most of our markets, particularly Algeria, Saudi Arabia and Iraq.

Reported and core gross profit grew 7% and, on a constant currency basis, reported and core gross profit grew 12%, reflecting an improvement in product mix, driven by our growing portfolio of oncology and chronic medications, as well as new launches.

Core operating profit, which excludes the amortisation of intangibles (other than software) and exceptional items[13] grew 17% and core operating margin expanded to 21.1%. This reflects the improvement in gross profit and good control of sales and marketing costs, which more than offset an increase in R&D and G&A costs, as well as the negative impact of currency devaluation in our North African markets.

During the year, the Branded business had 79 launches and submitted 193 filings to regulatory authorities. Revenue from in-licensed products represented 35% of Branded revenue (2021: 36%).

We expect Branded revenue in 2023 to grow in the mid to high single-digits in constant currency.

[13] Exceptional items comprise reorganisations costs of $2 million. Amortisation of intangible assets (other than software) was $8 million. 2021 exceptional items comprised a $11 million intangible assets write-down. 2021 amortisation of intangible assets (other than software) was $10 million. Refer to Note 5 of the consolidated financial statements set out in this release for further information

Generics

	2022 $ million	2021 $ million	Change
Revenue	**672**	820	(18)%
Core revenue	**672**	820	(18)%
Gross profit	**265**	388	(32)%
Core gross profit	**266**	388	(31)%
Core gross margin	***39.6%***	*47.3%*	*(7.7)pp*
Operating profit	**(117)**	217	(154)%
Core operating profit	**103**	202	(49)%
Core operating margin	***15.3%***	*24.6%*	*(9.3)pp*

Revenue in our Generics business declined 18% in 2022, driven by the challenging competitive environment in the US, with limited introduction of new products and a slower than expected ramp up of recent launches to help offset this. We experienced sustained low double-digit price erosion as well as related mid single-digit volume erosion.

The decline in Generics core gross profit and margin reduction to 39.6% 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 exceptional items[14], declined 49% due to the reduction in gross profit, as well as an increase in sales and marketing costs as we continue to build out the commercial capabilities necessary for our expanding specialty business. Through tight control of costs elsewhere and by driving efficiencies, core operating margin was 15.3%.

On a reported basis, Generics made an operating loss of $(117) million due to impairment charges related to changes in our longer-term expectations for generic Advair Diskus® and excess respiratory production capacity resulting from the rationalisation of our R&D pipeline.

In 2022, the Generics business launched three products and submitted seven filings to regulatory authorities.

In 2023, we expect Generics revenue to grow in the low double-digits. We expect core operating margin to be in the range of 16% to 18%.

Other businesses

Other businesses, which primarily comprises Arab Medical Containers (AMC), a manufacturer of plastic specialised medicinal sterile containers, and International Pharmaceuticals Research Centre (IPRC), which conducts bio-equivalency studies, contributed revenue of $13 million in 2022 (2021: $11 million) with an operating profit of $3 million (2021: $2 million).

[14] Exceptional items comprised a $76 million impairment charge on PPE and right-of-use assets, $1 million unwinding of acquisition related inventory step-up, a $93 million impairment charge on intangible assets and reorganisation costs of $9 million. Amortisation of intangible assets (other than software) was $41 million. 2021 exceptional items comprised a $60 million impairment reversal of product related intangibles and a $14 million impairment charge of product related intangibles and a $1 million intangible assets write-down. 2021 amortisation of intangible assets (other than software) was $30 million. Refer to Note 5 of the consolidated financial statements set out in this release for further information

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Research and development

Our investment in R&D and business development enables us to continue expanding the Group's product portfolio. During 2022, we had 182 new launches and received 270 approvals. To ensure the continuous development of our product pipeline, we submitted 349 regulatory filings.

	2022 submissions[15]	2022 approvals[15]	2022 launches[15]
Injectables	149	129	100
US	14	15	12
MENA	77	59	41
Europe & ROW	58	55	47
Branded	193	136	79
Generics	7	5	3
Total	**349**	**270**	**182**

Net finance expense

	2022	2021	Change	Constant currency change
Finance income	**29**	30	(3)%	0%
Finance expense	**81**	69	17%	10%
Net finance expense	**52**	39	33%	18%
Core finance income	**3**	1	200%	300%
Core finance expense	**77**	56	38%	29%
Core net finance expense	**74**	55	35%	24%

On a reported basis, net finance expense was $52 million (2021: $39 million). This comprised $29 million finance income and $81 million finance expense. Excluding exceptional items[16], core net finance expense was $74 million (2021: $55 million). This comprised $3 million finance income and $77 million finance expense. The increase primarily reflects the rising interest rate environment and increased borrowing due to the acquisitions of Custopharm Inc. and Teligent's Canadian assets.

We expect core net finance expense to be around $78 million in 2023[17].

Profit before tax

Reported profit before tax decreased to $233 million (2021: $544 million), primarily due to the impairment in the Generics business. Excluding the amortisation of intangibles (other than software) and exceptional items[18], core profit before tax was $520 million (2021: $578 million), down 10%.

[15] Pipeline projects submitted, approved and launched by country in 2022

[16] Exceptional items comprised $26 million non-cash finance income related to remeasurement of contingent consideration and a $4 million non-cash finance expense related to the unwinding of contingent consideration and other financial liability

[17] Based on the composition of the Group's net debt portfolio as at 31 December 2022, a one percentage point increase/decrease in interest rates would result in $4 million decrease/increase in net finance cost per year (2021: $2 million increase/decrease)

[18] Exceptional items comprised a $5 million net gain from investment divestiture, $14 million of reorganisation costs, a $80 million impairment charge on PPE and right-of-use assets, a $27 million cost related to unwinding of acquisition related inventory step-up, a $101 million

Tax

The Group incurred a reported tax expense of $42 million (2021: $124 million) and a reported effective tax rate of 18.0% (2021: 22.8%). The decrease is due to the change in earnings mix, primarily as a result of the impairment in the Generics business in the US. Excluding exceptional items, Group core tax expense was $111 million (2021: $129 million). The core effective tax rate decreased marginally to 21.3% (2021: 22.3%).

We expect the Group core effective tax rate to be in the range of 22% to 23% in 2023.

Profit attributable to shareholders

Profit attributable to shareholders was $188 million (2021: $421 million). Core profit attributable to shareholders decreased by 10% to $406 million (2021: $450 million).

Earnings per share

	2022	2021	Change	Constant currency change
Basic earnings per share (cents)	**83.9**	182.3	(54)%	(47)%
Core basic earnings per share (cents)	**181.3**	194.8	(7)%	(1)%
Diluted earnings per share (cents)	**83.6**	180.7	(54)%	(47)%
Core diluted earnings per share (cents)	**180.4**	193.1	(7)%	0%
Weighted average number of Ordinary Shares for the purposes of basic earnings ('m)	**224**	231	-	-
Weighted average number of Ordinary Shares for the purposes of diluted earnings ('m)	**225**	233	-	-

The decrease in core earnings per share reflects the decline in profit attributable to shareholders as a result of the weaker performance in Generics, slightly offset by the value for shareholders created by the Group's buyback of 12.5 million Ordinary Shares in the first half of 2022.

Dividend

The Board is recommending a final dividend of 37 cents per share (2021: 36 cents per share) bringing the total dividend for the full year to 56 cents per share (2021: 54 cents per share). The proposed dividend will be paid on 5 May 2023 to eligible shareholders on the register at the close of business on 24 March 2023, subject to approval at the Annual General Meeting on 28 April 2023.

Net cash flow, working capital and net debt

The Group generated operating cash flow of $530 million (2021: $638 million). This change primarily reflects the lower operating profit from our Generics business, as well as an increase in inventories to ensure continuity of supply.

Group working capital days were 251 at 31 December 2022. Compared to the position on 31 December 2021, Group working capital days increased by 13 days from 238 days, as we increased our inventory.

impairment charge on intangible assets, $26 million non-cash finance income related to remeasurement of contingent consideration and a $4 million non-cash finance expense related to the unwinding of contingent consideration and other financial liability. Amortisation of intangible assets (other than software) was $92 million. Refer to Note 5 of the consolidated financial statements set out in this release for further information

Capital expenditure was $138 million (2021: $145 million). In the US, $46 million was spent upgrading equipment and adding new lines and technologies for our Injectables business, including enhancing our new compounding facility in Dayton, New Jersey. Our Generics business primarily focused on replacement and necessary upgrades. In MENA, $72 million was spent strengthening and expanding manufacturing capabilities, including two ongoing greenfield Injectables production sites in Algeria and Morocco. In Europe, we spent $20 million enhancing our manufacturing capabilities, including the installation of new filling lines in Portugal and Italy. We expect Group capital expenditure to be in the range of $140 million to $160 million in 2023.

The Group's total debt increased to $1,283 million at 31 December 2022 (31 December 2021: $846 million). This increase primarily reflects funding the acquisitions of Custopharm Inc. and Teligent's Canadian assets.

The Group's cash balance at 31 December 2022 was $270 million (31 December 2021: $426 million).

The Group's net debt (excluding co-development agreements and contingent liabilities) was $1,013 million at 31 December 2022 (31 December 2021: $420 million), reflecting the increase in total debt and the share buyback. We continue to have a healthy balance sheet, with a net debt to core EBITDA ratio of 1.5x (31 December 2021: 0.6x).

Balance sheet

Net assets at 31 December 2022 were $2,148 million (31 December 2021: $2,467 million). Net current assets were $922 million (31 December 2021: $1,078 million). The decline reflects the increase in the Group's total debt and reduction in cash, primarily due to acquisitions and the purchase of 12.5 million of our own shares resulting from the $300 million share buyback announced in February 2022.

The Board

The Board of Directors that served during the twelve-month period to 31 December 2022 and their respective responsibilities can be found on the Leadership team section of www.hikma.com.

Cautionary statement

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

Definitions

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

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

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

Group gross profit	**2022 $million**	2021 $million
Core gross profit	**1,265**	**1,301**
Unwinding of acquisition related inventory step-up	(27)	-
Reported gross profit	**1,238**	**1,301**

Group operating profit	**2022 $million**	2021 $million
Core operating profit	**596**	**632**
Intangible assets write-down	-	(13)
Net impairment reversal of product related intangibles	-	36
Intangible assets amortisation other than software	(92)	(73)
Reorganisation costs	(14)	-
Impairment of property, plant and equipment and right-of-use-assets	(80)	-
Impairment of intangible assets	(101)	-
Unwinding of acquisition related inventory step-up	(27)	-
Reported operating profit	**282**	**582**

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 2022 represent reported 2022 numbers translated using 2021 exchange rates, excluding price increases in the business resulting from the devaluation of the Sudanese pound and excluding the impact from hyperinflation accounting.

EBITDA

EBITDA is earnings before interest, tax, depreciation, amortisation, assets write-down, impairment charges/reversals and unwinding of acquisition related inventory step-up. Core EBITDA is adjusted for exceptional items.

EBITDA	**2022 $ million**	2021 $ million
Reported operating profit	**282**	**582**
Adjustments for depreciation, amortisation, net impairment charges/reversals and write-down of:		
Property, plant and equipment	157	72
Intangible assets	202	61
Right-of-use assets	13	12
Unwinding of acquisition related inventory step-up	26	-
Reported EBITDA	**680**	**727**
Exceptional items:		
Reorganisation costs	14	-
Core EBITDA	**694**	**727**

Working capital days

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

Group net debt

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

Group net debt	**31 Dec 2022 $ million**	31 Dec 2021 $ million
Short-term financial debts	(139)	(112)
Short-term leases liabilities	(9)	(9)
Long-term financial debts	(1,074)	(651)
Long-term leases liabilities	(61)	(74)
Total debt	**(1,283)**	**(846)**
Cash, cash equivalents	270	426
Net debt	**(1,013)**	**(420)**

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Forward looking statements

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

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

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

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

Principal risks and uncertainties

The Group faces risks from a range of sources that could have a material impact on our financial commitments and ability to trade in the future. The principal risks are determined via robust assessment considering our risk context by the Board of Directors with input from executive management. The principal risks facing the company have not materially changed over the year, although the impacts of global inflationary pressures and supply chain challenges continue to be closely monitored. The principal risks are set out in the 2022 annual report on pages 60 – 68, which will be available on 16 March 2023. The Board recognises that certain risk factors that influence the principal risks are outside of the control of management. The Board is satisfied that the principal risks are being managed appropriately and consistently with the target risk appetite. The set of principal risks should not be considered as an exhaustive list of all the risks the Group faces.

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Hikma Pharmaceuticals PLC
Consolidated income statement
For the year ended 31 December 2022

	Note	2022 Core results $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 5) $m	2021 Reported results $m
Revenue	3	**2,517**	**-**	**2,517**	2,553	-	2,553
Cost of sales		**(1,252)**	**(27)**	**(1,279)**	(1,252)	-	(1,252)
Gross profit/(loss)		**1,265**	**(27)**	**1,238**	1,301	-	1,301
Selling, general and administrative expenses		**(509)**	**(106)**	**(615)**	(488)	(73)	(561)
Net impairment loss on financial assets		**(5)**	**-**	**(5)**	-	-	-
Research and development expenses		**(144)**	**-**	**(144)**	(143)	-	(143)
Other operating expenses		**(25)**	**(181)**	**(206)**	(40)	(37)	(77)
Other operating income		**14**	**-**	**14**	2	60	62
Total operating expenses		**(669)**	**(287)**	**(956)**	(669)	(50)	(719)
Operating profit/(loss)	4	**596**	**(314)**	**282**	632	(50)	582
Finance income		**3**	**26**	**29**	1	29	30
Finance expense		**(77)**	**(4)**	**(81)**	(56)	(13)	(69)
Loss from investment at fair value through profit and loss (FVTPL)		**(2)**	**-**	**(2)**	-	-	-
Results from joint venture		**-**	**-**	**-**	1	-	1
Gain from investment divestiture[1]		**-**	**5**	**5**	-	-	-
Profit/(loss) before tax		**520**	**(287)**	**233**	578	(34)	544
Tax	6	**(111)**	**69**	**(42)**	(129)	5	(124)
Profit/(loss) for the year		**409**	**(218)**	**191**	449	(29)	420
Attributable to:							
Non-controlling interests		**3**	**-**	**3**	(1)	-	(1)
Equity holders of the parent		**406**	**(218)**	**188**	450	(29)	421
Earnings per share (cents)							
Basic	8	**181.3**		**83.9**	194.8		182.3
Diluted	8	**180.4**		**83.6**	193.1		180.7

1. Represents $8 million from reclassification of translation gains previously included in other comprehensive income and the $3 million loss on disposal of Hikma Liban S.A.R.L.

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Hikma Pharmaceuticals PLC
Consolidated statement of comprehensive income
For the year ended 31 December 2022

	2022 Core results $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 5) $m	2021 Reported results $m
Profit for the year	**409**	**(218)**	**191**	449	(29)	420
Other comprehensive income						
Items that may subsequently be reclassified to the consolidated income statement:						
Currency translation and hyperinflation movement	**(87)**	**-**	**(87)**	(22)	-	(22)
Reclassification of translation gains on disposal of subsidiary[1]	**-**	**(8)**	**(8)**	-	-	-
Items that will not subsequently be reclassified to the consolidated income statement, net of tax[2]:						
Remeasurement of post-employment benefit obligations	**-**	**-**	**-**	(1)	-	(1)
Change in investments at fair value through other comprehensive income (FVTOCI)	**(8)**	**-**	**(8)**	14	-	14
Total other comprehensive income for the year	**(95)**	**(8)**	**(103)**	(9)	-	(9)
Total comprehensive income for the year	**314**	**(226)**	**88**	440	(29)	411
Attributable to:						
Non-controlling interests	**-**	**-**	**-**	2	-	2
Equity holders of the parent	**314**	**(226)**	**88**	438	(29)	409
	314	**(226)**	**88**	440	(29)	411

1. $8 million translation reserve gains attributable to equity holders of the parent was recognised in the consolidated income statement on disposal of Hikma Liban S.A.R.L.
2. In 2022, there was no tax on other comprehensive income items. In 2021, the tax amount was $1 million related to remeasurement of post-employment benefit

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Hikma Pharmaceuticals PLC
Consolidated balance sheet
At 31 December 2022

	Note	2022 $m	2021 $m
Non-current assets			
Goodwill	9	**389**	285
Other intangible assets	9	**735**	607
Property, plant and equipment	10	**1,024**	1,072
Right-of-use assets		**57**	74
Investment in joint ventures		**10**	10
Deferred tax assets		**192**	183
Financial and other non-current assets		**65**	47
		2,472	2,278
Current assets			
Inventories		**776**	695
Income tax receivable		**32**	60
Trade and other receivables	11	**809**	816
Cash and cash equivalents		**270**	426
Other current assets		**110**	97
Assets classified as held for distribution		**2**	–
		1,999	2,094
Total assets		**4,471**	4,372
Current liabilities			
Short-term financial debts	12	**139**	112
Lease liabilities		**9**	9
Trade and other payables	13	**476**	468
Income tax payable		**73**	57
Other provisions		**32**	31
Other current liabilities		**348**	339
		1,077	1,016
Net current assets		**922**	1,078
Non-current liabilities			
Long-term financial debts	14	**1,074**	651
Lease liabilities		**61**	74
Deferred tax liabilities		**19**	24
Other non-current liabilities		**92**	140
		1,246	889
Total liabilities		**2,323**	1,905
Net assets		**2,148**	2,467
Equity			
Share capital		**40**	42
Share premium		**282**	282
Other reserves		**(265)**	(60)
Translation reserve related to assets held for distribution		**(14)**	–
Retained earnings		**2,092**	2,189
Equity attributable to equity holders of the parent		**2,135**	2,453
Non-controlling interests		**13**	14
Total equity		**2,148**	2,467

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Hikma Pharmaceuticals PLC
Consolidated statement of changes in equity
For the year ended 31 December 2022

	Note	Merger and revaluation reserves[1] $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 year		48	-	-	**48**	-	373	-	-	**421**	(1)	**420**
Change in fair value of investments at FVTOCI		-	-	-	**-**	-	14	-	-	**14**	-	**14**
Realisation of revaluation reserve		(3)	-	-	**(3)**	-	3	-	-	**-**	-	**-**
Remeasurement of post-employment benefit obligations		-	-	-	**-**	-	(2)	-	-	**(2)**	-	**(2)**
Tax arising on remeasurement of post-employment benefit obligations		-	-	-	**-**	-	1	-	-	**1**	-	**1**
Currency translation and hyperinflation movement		-	(25)	-	**(25)**	-	-	-	-	**(25)**	3	**(22)**
Total comprehensive income for the year		**45**	**(25)**	**-**	**20**	**-**	**389**	**-**	**-**	**409**	**2**	**411**
Total transactions with owners, recognised directly in equity												
Cost of equity-settled employee share scheme		-	-	-	**-**	-	29	-	-	**29**	-	**29**
Exercise of employees share scheme		-	-	-	**-**	-	(1)	1	-	**-**	-	**-**
Dividends paid	7	-	-	-	**-**	-	(120)	-	-	**(120)**	(1)	**(121)**
Balance at 31 December 2021 and 1 January 2022		**164**	**(224)**	**-**	**(60)**	**-**	**2,189**	**42**	**282**	**2,453**	**14**	**2,467**
Profit for the year		-	-	-	**-**	-	188	-	-	**188**	3	**191**
Change in fair value of investments at FVTOCI		-	-	-	**-**	-	(8)	-	-	**(8)**	-	**(8)**
Currency translation and hyperinflation movement		-	(84)	-	**(84)**	-	-	-	-	**(84)**	(3)	**(87)**
Reclassification of translation gains on disposal of subsidiary[1]		-	(8)	-	**(8)**	-	-	-	-	**(8)**	-	**(8)**
Total comprehensive income for the year		**-**	**(92)**	**-**	**(92)**	**-**	**180**	**-**	**-**	**88**	**-**	**88**
Total transactions with owners, recognised directly in equity												
Transfer of merger reserve[2]		(129)	-	-	**(129)**	-	129	-	-	**-**	-	**-**
Issue of Ordinary Bonus Share		-	-	-	**-**	-	(1,746)	1,746	-	**-**	-	**-**
Cancellation of Ordinary Bonus Share		-	-	-	**-**	-	1,746	(1,746)	-	**-**	-	**-**
Cost of equity-settled employee share scheme		-	-	-	**-**	-	22	-	-	**22**	-	**22**
Dividends paid	7	-	-	-	**-**	-	(125)	-	-	**(125)**	(3)	**(128)**
Ordinary Shares purchased and cancelled		-	-	2	**2**	-	(300)	(2)	-	**(300)**	-	**(300)**
Share buyback transaction costs		-	-	-	**-**	-	(3)	-	-	**(3)**	-	**(3)**
Other comprehensive income accumulated in equity related to assets held for distribution[3]		-	14	-	**14**	(14)	-	-	-	**-**	-	**-**
Acquisition of subsidiaries		-	-	-	**-**	-	-	-	-	**-**	2	**2**
Balance at 31 December 2022		**35**	**(302)**	**2**	**(265)**	**(14)**	**2,092**	**40**	**282**	**2,135**	**13**	**2,148**

1. $8 million translation reserve gains attributable to equity holders of the parent was recognised in the consolidated income statement in relation to Hikma Liban S.A.R.L. disposal
2. $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
3. 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
Consolidated cash flow statement
For the year ended 31 December 2022

	Note	2022 $m	2021 $m
Cash flows from operating activities			
Cash generated from operations	15	**585**	767
Income taxes paid		**(103)**	(131)
Income taxes received		**48**	2
Net cash inflow from operating activities		**530**	638
Cash flow from investing activities			
Purchases of property, plant and equipment		**(138)**	(145)
Proceeds from disposal of property, plant and equipment		**1**	-
Purchase of intangible assets		**(87)**	(84)
Proceeds from disposal of intangible assets		**9**	-
Proceeds from sale of investment at FVTOCI		**-**	5
Additions of investments at FVTOCI		**(15)**	(3)
Acquisition of subsidiary undertakings net of cash acquired	16	**(373)**	-
Proceeds from investment divestiture		**-**	1
Cash loss on disposal of subsidiary		**(1)**	-
Payments of contingent consideration liability		**(6)**	(6)
Milestone payments of acquired contingent liability		**-**	(11)
Interest income received		**3**	2
Acquisition related amounts held in escrow account		**-**	3
Net cash outflow from investing activities		**(607)**	(238)
Cash flow from financing activities			
Proceeds from issue of long-term financial debts		**1,401**	10
Repayment of long-term financial debts		**(962)**	(45)
Proceeds from short-term borrowings		**380**	383
Repayment of short-term borrowings		**(363)**	(431)
Repayment of lease liabilities		**(9)**	(31)
Dividends paid	7	**(125)**	(120)
Dividends paid to non-controlling shareholders of subsidiaries		**(3)**	(1)
Interest and bank charges paid		**(68)**	(50)
Revolving credit facility upfront fees paid		**(5)**	-
Share buyback		**(300)**	-
Share buyback transaction costs		**(3)**	-
Payment to co-development and earnout payment agreement		**(1)**	(2)
Net cash outflow from financing activities		**(58)**	(287)
Net (decrease)/increase in cash and cash equivalents		**(135)**	113
Cash and cash equivalents at beginning of year		**426**	323
Foreign exchange translation movements		**(21)**	(10)
Cash and cash equivalents at end of year		**270**	426

Hikma Pharmaceuticals PLC
Notes to the consolidated financial statements

1. Accounting policies

General information

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

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

Basis of preparation

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

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

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

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

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

The Group's previously published consolidated financial statements were also prepared in accordance with UK-adopted international accounting standards, the requirements of the Companies Act 2006, and the IFRS as issued by the IASB.

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

The financial information does not constitute the Company's statutory accounts for the years to 31 December 2022 or 2021 but is derived from those accounts. The auditors have reported on those accounts and their report (i) was unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for the year to 31 December 2022 or 31 December 2021.

Adoption of new and revised standards

The following revised Standards and Interpretations have been issued and are effective for annual periods beginning on 1 January 2022.

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 consolidated financial statements of the Group but may impact the accounting for future transactions and arrangements.

The standards and interpretations that had been issued but were not mandatory for annual reporting periods ending on 31 December 2022 were not early adopted. The Group doesn't expect any significant impact from applying these standards and interpretations.

Exceptional items and other adjustments

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

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

Core results

Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items that mask the underlying performance of the Group. To provide a more complete picture of the Group's performance and to improve comparability of our consolidated financial statements to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. We represent and discuss our Group and segmental financials reconciled between reported and core results. This presentation allows for full visibility and transparency of our financials so that shareholders are able to clearly assess the performance factors of the Group.

Exceptional items and other adjustments

Core results mainly exclude:

- Amortisation of intangible assets other than software
- Impairment charge/reversal of intangible assets and property, plant and equipment
- Finance income and expense resulting from remeasurement, unwinding of contingent consideration and co-development earnout payment agreement financial liabilities
- Exceptional items which management believes to be exceptional in nature by virtue of their size or incidence, or have a distortive effect on current year earnings, such as costs associated with business combinations, one-off gains and losses on disposal of businesses assets, reorganisation costs and any exceptional items related to tax such as significant tax benefit/expense associated with previously unrecognised deferred tax assets/liabilities

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

Intangible assets

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

- it is identifiable
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group
- the cost of the asset can be measured reliably

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

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

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

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

Intangible assets are measured at cost, less any accumulated amortisation and impairment losses.

Principal intangible assets are:

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

(b) Product related intangibles:

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

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

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

Other identified intangibles are:

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

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

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

Details of the intangible assets useful lives are included in Note 9.

2. Going concern

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

appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

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

3. Revenue from contracts with customers

Business and geographical markets

The following tables provide an analysis of the Group's reported revenue by segment and geographical market, irrespective of the origin of the goods/services:

Year ended 31 December 2022	**Injectables $m**	**Generics $m**	**Branded $m**	**Others $m**	**Total $m**
United States	**761**	**672**	**-**	**-**	**1,433**
Middle East and North Africa	**178**	**-**	**681**	**7**	**866**
Europe and rest of the world	**194**	**-**	**10**	**6**	**210**
United Kingdom	**8**	**-**	**-**	**-**	**8**
	1,141	**672**	**691**	**13**	**2,517**

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

The top selling markets are as below:

	2022 $m	2021 $m
United States	**1,433**	1,511
Saudi Arabia	**240**	218
Algeria	**132**	112
Egypt	**115**	127
	1,920	1,968

In 2022, included in revenue arising from the Generics and Injectables segments are sales the Group made to three wholesalers in the US, each accounting for equal to or greater than 10% of the Group's revenue: $361 million (14% of Group revenue), $330 million (13% of Group revenue) and $251 million (10% of Group revenue). In 2021, sales to these wholesalers were $402 million (16% of Group revenue), $341 million (13% of Group revenue) and $230 million (9% of Group revenue), respectively.

The following table provides contract balances related to revenue:

	2022 $m	2021 $m
Trade receivables (Note 11)	**777**	781
Contract and refund liabilities	**193**	213

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

Contract and refund liabilities relate to returns and free goods provisions.

4. Business segments

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

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

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

Injectables	**2022 Core results $m**	**2022 Exceptional items and other adjustments (Note 5) $m**	**2022 Reported results $m**	2021 Core results $m	2021 Exceptional items and other adjustments (Note 5) $m	2021 Reported results $m
Revenue	**1,141**	**-**	**1,141**	1,053	-	1,053
Cost of sales	**(498)**	**(26)**	**(524)**	(472)	-	(472)
Gross profit/(loss)	**643**	**(26)**	**617**	581	-	581
Total operating expenses	**(215)**	**(57)**	**(272)**	(186)	(44)	(230)
Segment result	**428**	**(83)**	**345**	395	(44)	351

Branded	**2022 Core results $m**	**2022 Exceptional items and other adjustments (Note 5) $m**	**2022 Reported results $m**	2021 Core results $m	2021 Exceptional items and other adjustments (Note 5) $m	2021 Reported results $m
Revenue	**691**	**-**	**691**	669	-	669
Cost of sales	**(341)**	**-**	**(341)**	(341)	-	(341)
Gross profit	**350**	**-**	**350**	328	-	328
Total operating expenses	**(204)**	**(10)**	**(214)**	(203)	(21)	(224)
Segment result	**146**	**(10)**	**136**	125	(21)	104

Generics	**2022 Core results $m**	**2022 Exceptional items and other adjustments (Note 5) $m**	**2022 Reported results $m**	2021 Core results $m	2021 Exceptional items and other adjustments (Note 5) $m	2021 Reported results $m
Revenue	**672**	**-**	**672**	820	-	820
Cost of sales	**(406)**	**(1)**	**(407)**	(432)	-	(432)
Gross profit/(loss)	**266**	**(1)**	**265**	388	-	388
Total operating expenses	**(163)**	**(219)**	**(382)**	(186)	15	(171)
Segment result	**103**	**(220)**	**(117)**	202	15	217

Others[1]	**2022 Core results $m**	**2022 Exceptional items and other adjustments (Note 5) $m**	**2022 Reported results $m**	2021 Core results $m	2021 Exceptional items and other adjustments (Note 5) $m	2021 Reported results $m
Revenue	**13**	**-**	**13**	11	-	11
Cost of sales	**(6)**	**-**	**(6)**	(6)	-	(6)
Gross profit	**7**	**-**	**7**	5	-	5
Total operating expenses	**(4)**	**-**	**(4)**	(3)	-	(3)
Segment result	**3**	**-**	**3**	2	-	2

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

Group	2022 Core results $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 5) $m	2021 Reported results $m
Segment result	**680**	**(313)**	**367**	724	(50)	674
Unallocated expenses[1]	**(84)**	**(1)**	**(85)**	(92)	-	(92)
Operating profit/(loss)	**596**	**(314)**	**282**	632	(50)	582
Finance income	**3**	**26**	**29**	1	29	30
Finance expense	**(77)**	**(4)**	**(81)**	(56)	(13)	(69)
Loss from investment at FVTPL	**(2)**	**-**	**(2)**	-	-	-
Results from joint venture	**-**	**-**	**-**	1	-	1
Gain from investment divestiture	**-**	**5**	**5**	-	-	-
Profit/(loss) before tax	**520**	**(287)**	**233**	578	(34)	544
Tax	**(111)**	**69**	**(42)**	(129)	5	(124)
Profit/(loss) for the year	**409**	**(218)**	**191**	449	(29)	420
Attributable to:						
Non-controlling interests	**3**	**-**	**3**	(1)	-	(1)
Equity holders of the parent	**406**	**(218)**	**188**	450	(29)	421

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

The following table provides an analysis of the Group non-current assets[2] by geographic area:

	2022 $m	2021 (restated)[3] $m
United States	**1,305**	1,140
Middle East and North Africa		
Jordan	**349**	365
Algeria	**85**	69
Others	**224**	252
	658	686
Europe and rest of the world		
Portugal	**133**	136
Others	**89**	52
	222	188
United Kingdom	**20**	24
	2,205	2,038

2. Non-current assets exclude investments in joint ventures, deferred tax assets, and financial and other non-current assets
3. 2021 numbers have been restated to reflect the allocation of goodwill to the relevant operational countries by reclassifying $57 million from the United Kingdom to the United States. Previously, this goodwill was allocated to the holding companies in the United Kingdom

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5. Exceptional items and other adjustments

Exceptional items and other adjustments are disclosed separately in the consolidated income statement to assist in the understanding of the Group's core performance. Exceptional items have been recognised in accordance with our accounting policy outlined in Note 1, the details are presented below:

2022		Injectables $m	Branded $m	Generics $m	Unallocated $m	Total $m
Exceptional items and other adjustments						
Gain from investment divestiture		-	-	-	5	5
Reorganisation costs	SG&A	(2)	(2)	(9)	(1)	(14)
Impairment charge on property, plant and equipment and right-of-use assets	Other operating expenses	(4)	-	(76)	-	(80)
Impairment charge on intangible assets	Other operating expenses	(8)	-	(93)	-	(101)
Intangible assets amortisation other than software	SG&A	(43)	(8)	(41)	-	(92)
Unwinding of acquisition related inventory step-up	Cost of sales	(26)	-	(1)	-	(27)
Remeasurement of contingent consideration	Finance income	-	-	-	26	26
Unwinding of contingent consideration and other financial liability	Finance expense	-	-	-	(4)	(4)
Exceptional items and other adjustments included in profit before tax		**(83)**	**(10)**	**(220)**	**26**	**(287)**
Tax effect	Tax					**69**
Impact on profit for the year						**(218)**

Exceptional items

- Gain from investment divestiture: represents $8 million from reclassification of translation gains previously included in other comprehensive income and the $3 million loss on disposal of Hikma Liban S.A.R.L.
- Reorganisation costs: $14 million of reorganisation costs relate to a one-off global restructuring to align staffing levels with current business conditions. Management expects to finish the restructuring in 2023
- Impairment charge on property, plant and equipment and right-of-use assets: $80 million of impairment charge relates to excess capacity and the rationalisation of the R&D pipeline associated production lines mainly in the Generics CGU, in addition to the impairment of generic Advair Diskus® CGU related property, plant and equipment (Notes 9 and 10)
- Impairment charge on intangible assets: $101 million impairment charge mainly relates to the generic Advair Diskus® CGU, other product related intangible assets and marketing rights mainly resulting from decline in performance and forecasted profitability and the rationalisation of the R&D pipeline in the Generics CGU (Notes 9 and 16)
- Intangible assets amortisation other than software: $92 million intangible assets amortisation other than software
- Unwinding of acquisition related inventory step-up: $27 million 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 the Teligent Inc. Canadian assets acquisition ($25 million and $2 million, respectively) (Note 16)
- 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

— 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

Tax effect

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

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

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

Exceptional items

— Intangible assets write-down: $13 million write-down of software represented year 2020 impact of the application of the IFRIC April 2021 agenda decisions regarding cloud computing arrangement customisation and configuration costs treatment. The Group has adopted the IFRIC update as a change in accounting policy. The impact relating to year 2020 was not material and therefore the application was not retrospectively applied and was recognised in 2021 consolidated income statement as an exceptional item

— Impairment reversal of product related intangibles: $60 million impairment reversal mainly related to generic Advair Diskus® intangible asset as a result of launching the product following FDA approval in April 2021 following an amendment submitted to its Abbreviated New Drug Application in January 2021 (Note 9)

— Impairment of product related intangibles: $24 million impairment charge of different product related intangibles due to a decline in performance and forecasted profitability (Note 9)

— Intangible assets amortisation other than software: $73 million intangible assets amortisation other than software

— Remeasurement of contingent consideration finance income of $29 million 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

— Unwinding and remeasurement of contingent consideration and other financial liability finance expense of $13 million 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

Tax effect

— 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

	2022 Core results $m	**2022 Exceptional items and other adjustments (Note 5) $m**	**2022 Reported results $m**	2021 Core results $m	2021 Exceptional items and other adjustments (Note 5) $m	2021 Reported results $m
Current tax						
Current year	**121**	**(16)**	**105**	114	(7)	107
Adjustment to prior years	**(1)**	**-**	**(1)**	(13)	-	(13)
Deferred tax						
Current year	**(5)**	**(53)**	**(58)**	20	2	22
Adjustment to prior year	**(4)**	**-**	**(4)**	8	-	8
	111	**(69)**	**42**	129	(5)	124

UK corporation tax is calculated at 19.0% (2021: 19.0%).

The Group incurred a tax expense of $42 million (2021: $124 million), the effective tax rate is 18.0% (2021: 22.8%). The reported effective tax rate is lower than the statutory rate due to the change in earnings mix, primarily as a result of the impairment in the Generics business in the US.

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

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

	2022 $m	2021 $m
Profit before tax	**233**	544
Tax at the UK corporation tax rate of 19.0% (2021: 19.0%)	**44**	104
Profits taxed at different rates	**4**	7
Permanent differences:		
- Non-deductible expenditure	**3**	5
- Other permanent differences	**2**	2
- Research and development benefit	**(5)**	(6)
State and local taxes	**(2)**	7
Temporary differences:		
- Rate change, tax losses and other deductible temporary differences for which no benefit is recognised	**(5)**	5
Change in uncertain tax positions	**10**	2
Unremitted earnings	**(4)**	3
Prior year adjustments	**(5)**	(5)
Tax expense for the year	**42**	124

Profits taxed at different tax rates relate to profits arising in overseas jurisdictions where the tax rate differs from the UK statutory rate. Permanent differences relate to items which are non-taxable or for which no tax relief is ever likely to be due. The major items are expenses and income disallowed where they are covered by statutory exemptions, foreign exchange differences in some territories and statutory reliefs such as research and development.

Rate change, tax losses and other deductible temporary differences for which no benefit is recognised include items for which it is not appropriate to recognise deferred tax.

The change in the uncertain tax positions relates to the balance the Group holds in the event a revenue authority successfully takes an adverse view of the positions adopted by the Group in 2022 and prior years, and primarily relates to transfer pricing adjustment. As at 31 December 2022, the Group's uncertain tax positions amounted to $50 million (2021: $44 million). The Group released $3 million in 2022 (2021: $ nil million) due to the statute of limitations and released $2 million (2021: $7 million) following closure of tax audit with no final tax adjustments required by the relevant tax authorities. This was offset by new provisions and updates of $15 million booked in 2022 (2021: $9 million) arising from new and ongoing tax audits. $3 million of the reported balance is no longer considered as uncertain tax position (2021: $nil million) and had no impact on the consolidated income statement. The currency exchange difference for the year is a $1 million reduction (2021: $1 million reduction) to the aggregate balance. In 2023, no provision is expected to be released due to the statute of limitation or settlements. If all areas of uncertainty were audited and all areas resulted in an adverse outcome, management does not believe any material additional tax would be payable beyond what is provided.

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

Global minimum tax

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.

US Section 174 Update

Effective 1 January 2022, section 174 rules in the US require taxpayers to capitalise and amortise specific research or experimental expenditures over a period of five years (attributable to domestic research) or 15 years (attributable to foreign research). Previously, such expenditures were deducted in the year paid or incurred.

Implementation of UAE Corporation Tax Law and application of IAS 12 Income Taxes

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses to enact a Federal corporate tax regime in the UAE. The Corporate Tax regime will become effective for accounting periods beginning on or after 1 June 2023. Generally, UAE businesses will be subject to a 9% corporate tax rate, while a rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,00 based on information released by the Ministry of Finance). On the other hand, no Corporate Tax shall be imposed on a Qualifying Free Zone Person/Entity.

However, there are a number of significant decisions that are yet to be finalised by way of a Cabinet Decision, including the threshold mentioned above, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decisions by the Cabinet, the Group has determined that the Law was not practically operational as at 31 December 2022, and so not enacted or substantively enacted from the perspective of IAS 12 – Income Taxes. The Group shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine its tax status and the applicability of IAS 12 – Income Taxes. The Group is currently in the process of assessing the possible impact on its financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

Publication of tax strategy

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

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7. Dividends

	Paid in 2022 $m	Paid in 2021 $m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2021 of 36 cents (31 December 2020: 34 cents) per share	**83**	78
Interim dividend during the year ended 31 December 2022 of 19 cents (31 December 2021: 18 cents) per share	**42**	42
	125	120

The proposed final dividend for the year ended 31 December 2022 is 37 cents (2021: 36 cents).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 28 April 2023 and has not been included as a liability in these consolidated financial statements. Based on the number of shares in free issue at 31 December 2022 (220,235,852), the final dividend would be $81 million.

8. Earnings per share (EPS)

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

	2022 Core results $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 5) $m	2021 Reported results $m
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**406**	**(218)**	**188**	450	(29)	421

Basic earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year after deducting Treasury shares. Treasury shares have no right to receive dividends.

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

Number of shares	2022 Number m	2021 Number m
Weighted average number of Ordinary Shares for the purposes of basic EPS[1]	**224**	231
Effect of potentially dilutive Ordinary Shares:		
Share-based awards	**1**	2
Weighted average number of Ordinary Shares for the purposes of diluted EPS	**225**	233

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

	2022 Core EPS Cents	2022 Reported EPS Cents	2021 Core EPS Cents	2021 Reported EPS Cents
Basic	**181.3**	**83.9**	194.8	182.3
Diluted	**180.4**	**83.6**	193.1	180.7

9. Goodwill and other intangible assets

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

	Goodwill	Other intangible assets			
	$m	Product related intangible assets $m	Software $m	Other identified intangibles $m	Total $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 1 January 2022	**693**	**1,056**	**142**	**257**	**2,148**
Additions	-	48	1	36	85
Disposals	-	-	-	(3)	(3)
Translation adjustments	(15)	(5)	(2)	(5)	(27)
Acquisition of subsidiaries (Note 16)	119	251	-	-	370
Balance at 31 December 2022	**797**	**1,350**	**141**	**285**	**2,573**
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 1 January 2022	**(408)**	**(650)**	**(91)**	**(107)**	**(1,256)**
Charge for the year	-	(75)	(8)	(17)	(100)
Impairment charge	-	(72)	(1)	(29)	(102)
Translation adjustments	-	4	2	3	9
Balance at 31 December 2022	**(408)**	**(793)**	**(98)**	**(150)**	**(1,449)**
Carrying amount					
At 31 December 2022	**389**	**557**	**43**	**135**	**1,124**
At 31 December 2021	**285**	**406**	**51**	**150**	**892**

Of the total intangible assets other than goodwill, $115 million (2021: $132 million) are under development and not yet subject to amortisation.

The addition of product related intangible assets during the year mainly relates to the acquisition of the Canadian assets of Teligent Inc (Note 16).

Goodwill

Goodwill represents the excess of the aggregate of consideration, non-controlling interest and any fair value of previously held equity interest over the fair value of the identifiable net assets acquired (including acquired contingent liabilities). Goodwill is allocated at acquisition to the CGUs that are expected to benefit from that business combination. The goodwill of $119 million arising from the acquisition of Custopharm Topco Holdings, Inc. has been allocated to the Injectables CGU reflecting the integration of the business, as Custopharm Topco Holdings, Inc. will not be able to generate cash inflows that are independent from the injectables CGU (Note 16).

The carrying amount of goodwill has been allocated as follows:

	As at 31 December	
	2022	2021
	$m	$m
Branded	**160**	170
Injectables	**229**	115
Total	**389**	285

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

CGUs

Details related to the discounted cash flow models used in the impairment tests of the CGUs are as follows:

Valuation basis, terminal growth rate and discount rate		Valuation basis	Terminal growth rate (perpetuity)		Discount rate		
			2022	2021	**2022**	2021	
	Branded	VIU	**2.2%**	2.4%	**17.7%**	15.4%	Pre-tax
	Injectables	VIU	**1.6%**	2.1%	**12.0%**	10.2%	Pre-tax
	Generics	FVLCD	**2.1%**	2.3%	**9.1%**	8.0%	Post-tax
	Generic Advair Diskus®[1]	FVLCD	**-**[1]	-[1]	**9.1%**	8.0%	Post-tax
Key assumptions	Projected cash flows based on: - Sales growth rates, informed by pricing and volume assumptions - Profit margins and profit margin growth rates for marketed and pipeline products - Expected launch dates for pipeline products Terminal growth rates Discount rates						
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information, informed by historical experience and management's best estimates of the future Margins reflect past experience, adjusted for expected changes in the future Establishing the launch date and probability of a successful product approval for pipeline products Terminal growth rates and useful lives are based on the Group's experience in its markets Discount rates for each CGU are derived from specific regions/countries						
Period of specific projected cash flows	5 years						

1. generic Advair Diskus® has a remaining useful life of 14 years (2021: 15 years)

The Group performed its annual goodwill and CGU impairment test by calculating the recoverable amount based on discounted cash flows by applying an appropriate discount rate that reflects the risk factors associated with the cash flows and the CGUs under which these products sit. These values are then compared to the carrying value of the CGUs to determine whether an impairment is required. In addition, the Group models sensitivities on the recoverable amounts calculated to determine whether reasonable changes in key assumptions could lead to a potential impairment. If such reasonable changes would result in an impairment, then in accordance with IAS36 these are disclosed below. For the Branded, Injectables and Generics CGUs the Group has determined that sufficient headroom1 still exists under reasonable changes in key assumptions. Specifically, an evaluation of the CGUs was made assuming an increase of two percentage points in the discount rate, or a 10% decline in the projected cash flows, or a 5% decline in the projected cash flows in the terminal year or assuming zero terminal growth rate and in all cases sufficient headroom exists.

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

The Group evaluated the generic Advair Diskus® CGU recoverable amount based on a FVLCD model, being the higher value compared to VIU. The evaluation resulted in an impairment of $75 million ($59 million was allocated to intangible assets and $16 million to property, plant and equipment on a pro-rata basis (Note 10)) due to the decline in performance and forecasted profitability, bringing the revised carrying value to $75 million. This valuation methodology uses significant inputs which are not based on observable market data; therefore, this valuation technique is classified as a level 3 valuation.

The Group performed sensitivity analysis over the valuation of the generic Advair Diskus® CGU. The sensitivity analysis assumed an increase of two percentage points in the discount rate or a 10% decline in the projected cash flows. Applying those sensitivities would result in a further impairment charge against the generic Advair Diskus® CGU of approximately $4 million and $7 million, respectively.

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

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

Product-related intangible assets

In-Process Research and Development (IPR&D)

IPR&D consists of pipeline products of $22 million mainly related to the injectables CGU. These intangibles are not in use and accordingly, no amortisation has been charged against them. The Group performs an impairment review of IPR&D assets annually. The result of this test was an impairment charge of $8 million in the Injectables CGU mainly due to the discontinuation of certain products (2021: $9 million in the Injectables CGU).

Product rights

Product rights consists of marketed products of $533 million (2021: $400 million) includes one product in the Injectables CGU of $140 million, in addition to generic Advair Diskus® of $97 million (2021: $173 million). The product rights have an average estimated useful life of 12 years.

Whenever impairment indicators are identified for definite life intangible assets, Hikma reconsiders the asset's estimated economic benefit, calculates the value of the individual assets or asset group's cash flows and compares such value against the individual asset's or asset group's carrying amount. If the carrying amount is greater, the Group records an impairment loss for the excess of book value over the valuation which is based on the discounted cash flows by applying an appropriate discount rate that reflects the risk factors associated with the cash flows and the CGUs under which these products sit. Furthermore, if there is an indication that previously recognised impairment losses no longer exist or have decreased, the Group estimates the assets' recoverable amounts. A previously recognised impairment loss is reversed only if there has been a sustained and discrete change in the assumptions and indicators used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised for the asset in prior years. As at 31 December 2022, the result of this testing was an impairment charge of $64 million (2021: $14 million impairment charge and $60 million impairment reversal) of which $59 million related to the generic Advair Diskus® intangible asset (2021: $46 million reversal) due to decline in performance and forecasted profitability and the remaining amount of $5 million is related to the Generics CGU.

Software

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

Following a review of impairment indicators for software as at 31 December 2022, there was an impairment charge of $1 million (2021: $nil).

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

Other identified intangibles

Other identified intangibles comprise customer relationships, trade names and marketing rights of $138 million (2021: $150 million). The increase during the year represents payments made to third parties in relation to marketing rights and licensing agreements. Following a review of impairment indicators for other identified intangibles as at 31 December 2022, there was an impairment charge of $29 million in the Generics CGU mainly due to the discontinuation and decline in performance and forecasted profitability of certain marketing rights contracts (2021: $1 million).

Customer relationships

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

Trade names

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

Marketing rights

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

10. Property, plant and equipment

Cost	Land and buildings $m	Machinery and equipment $m	Vehicles, fixtures and equipment $m	Projects under construction $m	Total $m
Balance at 1 January 2021	636	761	130	255	1,782
Additions	18	17	7	104	146
Disposals	(3)	(10)	(6)	(10)	(29)
Transfers	28	39	8	(75)	-
Translation adjustment	(3)	(11)	(1)	(3)	(18)
Balance at 1 January 2022	**676**	**796**	**138**	**271**	**1,881**
Additions	4	16	7	114	141
Disposals	(1)	(10)	(3)	(1)	(15)
Transfers	74	35	11	(120)	-
Acquisition of subsidiaries (Note 16)	-	1	-	-	1
Transfers to assets classified as held for distribution	(2)	-	-	-	(2)
Translation adjustment	(26)	(19)	(8)	(2)	(55)
Balance at 31 December 2022	**725**	**819**	**145**	**262**	**1,951**
Accumulated depreciation and impairment					
Balance at 1 January 2021	(219)	(434)	(107)	(13)	(773)
Charge for the year	(15)	(39)	(17)	-	(71)
Disposals	3	8	7	10	28
Impairment	(1)	-	-	-	(1)
Translation adjustment	1	7	-	-	8
Balance at 1 January 2022	**(231)**	**(458)**	**(117)**	**(3)**	**(809)**
Charge for the year	(21)	(47)	(12)	-	(80)
Disposals	1	9	3	-	13
Impairment	-	(16)	-	(61)	(77)
Translation adjustment	8	13	5	-	26
Balance at 31 December 2022	**(243)**	**(499)**	**(121)**	**(64)**	**(927)**
Carrying amount					
At 31 December 2022	**482**	**320**	**24**	**198**	**1,024**
At 31 December 2021	**445**	**338**	**21**	**268**	**1,072**

Land is not subject to depreciation.

As at 31 December 2022, the Group had pledged property, plant and equipment with a carrying value of $8 million (2021: $8 million) as collateral for various long-term loans. This amount includes specific items in the net property, plant and equipment of the Group's businesses in Tunisia.

As at 31 December 2022, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $40 million (2021: $33 million).

As at 31 December 2022, the Group booked an impairment charge of $77 million (2021: $1 million). $61 million of the impairment charge is in respect of the excess capacity and the rationalisation of the R&D pipeline associated production lines in the Generics CGU, in addition to $16 million of impairment of generic Advair Diskus® CGU related property, plant and equipment (Notes 5 and 9).

11. Trade and other receivables

	As at 31 December	
	2022 $m	2021 $m
Gross trade receivables	**1,128**	1,107
Chargebacks and other allowances	**(298)**	(275)
Related allowance for expected credit loss	**(53)**	(51)
Net trade receivables	**777**	781
VAT and sales tax recoverable	**32**	32
Other receivables	**-**	3
Net trade and other receivables	**809**	816

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

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

	As at 31 December 2021 $m	**Additions, net $m**	**Utilisation $m**	**Translation adjustments $m**	**Acquisition of subsidiaries $m**	**As at 31 December 2022 $m**
Chargebacks and other allowances	**275**	**2,344**	**(2,346)**	**-**	**25**	**298**
Expected credit loss allowance	**51**	**5**	**-**	**(3)**	**-**	**53**
	326	**2,349**	**(2,346)**	**(3)**	**25**	**351**

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

At 31 December 2022, the provision balance relating to chargebacks was $204 million (2021: $201 million). The key inputs and assumptions included in calculating this provision are estimations of 'in channel' inventory at the wholesalers (including processing lag) of 36 days (2021: 40 days), estimated chargeback rates as informed by average historical chargeback credits adjusted for expected chargeback levels for new products, changes to pricing and estimated future sales trends (including customer mix). Based on the conditions existing at the balance sheet date, an increase/decrease in the estimate of in channel inventory by 1 day increases/decreases the provision by $5 million (2021: $5million), and if the overall chargeback rate of 57% (2021: 55%) increases/decreases by one percentage point the provision would increase/decrease by $4 million (2021: $4 million).

At 31 December 2022, the provision balance relating to customer rebates was $49 million (2021: $55 million). The key inputs and assumptions included in calculating this provision are the historical relationship between contractual rebate payments to revenue, past payment experience, changes to pricing and sales levels, estimation of 'in channel' inventory at the wholesalers and retail pharmacies and estimated future sales trends (including customer mix). Based on the conditions existing at the balance sheet date, a ten basis point increase/decrease in the rebates rate of 5.7% (2021: 6.5%) would increase/decrease this provision by approximately $1 million (2021: approximately $1 million).

12. Short-term financial debts

	2022 $m	2021 $m
Bank overdrafts	**11**	3
Import and export financing	**62**	58
Short-term loans	**2**	3
Current portion of long-term loans (Note 14)	**64**	48
	139	112

	2022 %	2021 %
The weighted average interest rates incurred are as follows:		
Bank overdrafts	**4.78**	3.21
Import and export financing[1]	**5.87**	6.39
Short-term loans	**4.20**	2.10

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

13. Trade and other payables

	As at 31 December	
	2022 $m	2021 $m
Trade payables	**291**	262
Accrued expenses	**171**	194
Other payables	**14**	12
	476	468

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

14.Long-term financial debts

	As at 31 December	
	2022 $m	2021 $m
Long-term loans	**644**	207
Long-term borrowings (Eurobond)	**494**	492
Less: current portion of long-term loans (Note 12)	**(64)**	(48)
Long-term financial loans	**1,074**	651
Breakdown by maturity:		
Within one year	**64**	48
In the second year	**65**	44
In the third year	**553**	37
In the fourth year	**52**	524
In the fifth year	**401**	23
In the sixth year	**1**	22
Thereafter	**2**	1
	1,138	699
Breakdown by currency:		
US dollar	**1,068**	620
Euro	**31**	44
Jordanian dinar	**16**	10
Algerian dinar	**16**	13
Saudi riyal	**-**	9
Moroccan dirham	**6**	3
Tunisian dinar	**1**	-
	1,138	699

The loans are held at amortised cost.

Long-term loans amounting to $1 million (31 December 2021: $0.5 million) are secured on certain property, plant and equipment.

Major loan arrangements include:

a) $1,150 million syndicated revolving credit facility that matures on 04 January 2027 with two extension options of one year each, one of the extension options was exercised in January 2023 which increased the maturity until January 2028. At 31 December 2022, the facility had an outstanding balance of $278 million (2021: $nil) and an unutilised amount of $872 million (2021: $870 million). The facility can be used for general corporate purposes

b) $108 million outstanding balance at 31 December 2022 (fair value of $98 million) related to a ten-year $150 million loan from the International Finance Corporation that has been fully utilised since April 2020. Quarterly equal repayments of the loan commenced on 15 March 2021. 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 $466 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. There was no utilisation of the loan as of December 2022. The facility matures on 15 September 2028 and can be used for general corporate purposes

e) A five-year $400 million syndicated loan facility entered into on 13 October 2022. The facility is partially utilised, with an outstanding balance at 31 December 2022 of $190 million (fair value of $190 million) and an unutilised amount of $210 million. The facility matures on 13 October 2028 and can be used for general corporate purposes

	2022 %	2021 %
The weighted average interest rates incurred are as follows:		
Bank loans (including the current bank loans)	**2.96**	2.83
Eurobond[1]	**3.69**	3.58

1. The Eurobond effective interest rate includes unwinding of discount amount and upfront fees

15. Cash generated from operating activities

	2022 $m	2021 $m
Profit before tax	**233**	544
Adjustments for depreciation, amortisation, net impairment charges/reversals and write-down of:		
Property, plant and equipment	**157**	72
Intangible assets	**202**	61
Right-of-use of assets	**13**	12
Unwinding of acquisition related inventory step-up	**26**	-
Reclassification of translation gains on disposal of subsidiary	**(5)**	-
Loss from investment at FVTPL	**2**	-
Loss on disposal/damage of property, plant and equipment	**-**	1
Gain on disposal of intangible assets	**(6)**	-
Cost of equity-settled employee share scheme	**22**	29
Finance income	**(29)**	(30)
Finance expense	**81**	69
Results from joint venture	**-**	1
Foreign exchange loss and net monetary hyperinflation impact	**20**	36
Changes in working capital:		
Change in trade and other receivables	**4**	(166)
Change in other current assets	**(19)**	27
Change in inventories	**(102)**	38
Change in trade and other payables	**16**	14
Change in other current liabilities	**(16)**	62
Change in other provision	**1**	2
Change in other non-current liabilities	**(6)**	(5)
Change in other non-current assets	**(9)**	-
Cash flow from operating activities	**585**	767

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

	$m
Product related intangible assets (Note 9)	251
Property, plant and equipment (Note 10)	1
Inventories	34
Trade receivables, net of chargebacks and other allowances	31
Cash and cash equivalents	19
Trade and other payables	(6)
Other current liabilities	(9)
Deferred tax liabilities	(46)
Net identifiable assets acquired	275
Add: goodwill (Note 9)	119
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**

The goodwill arising represents the synergies 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 is allocated to the Injectables CGU and is not deductible for tax purposes.

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

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

The fair value of acquired trade receivables is $31 million. The gross contractual amount for trade receivables due is $55 million. 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 $53 million revenue, $26 million reported loss and $19 million core profit for the year (excluding $20 million amortisation and impairment of intangible assets, in addition to $25 million related to the unwinding of the inventory step-up). An $8 million impairment charge was recognised as a result of discontinuation of an IPR&D product. The decision to discontinue this product was made post acquisition due to the launch of an existing recently approved product (Note 5).

If the acquisition had occurred on the first day of the financial year, the acquisition would have contributed approximately $81 million to Group revenue, $16 million reported loss and $29 million core profit (excluding amortisation and impairment of intangible assets and the unwinding of the inventory step-up resulting from the fair valuation of those assets).

Teligent asset acquisition

On 2 February 2022, the Group completed the acquisition of the Canadian assets of Teligent Inc. (Teligent) and 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, as substantially all the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets. The assets acquired are substantially concentrated in Intangible assets (product rights), with significantly the same risk characteristics, as they relate to mature products with similar profit margins and distribution channels (Note 9).

17. 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 $55 million (31 December 2021: $45 million) arising in the normal course of business. No provision for these liabilities has been made in these consolidated financial statements.
A contingent liability existed at the balance sheet date for standby letters of credit totalling $14 million (2021: $10 million) for potential stamp duty obligations that may arise from the repayment of loans by intercompany guarantors. It's not probable that any 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 defence 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 both individual plaintiffs and putative classes of direct and indirect purchasers of Xyrem® against certain Group entities and other defendants. Currently twelve such cases are assigned to multi-district litigation in the Northern District of California, and one case is in California state court. 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 837 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; two of these were settled or tentatively settled for a total of less than 200,000 US$ and five remain. Most of the federal cases have been consolidated into a multidistrict litigation (MDL) in the Northern District of Ohio. These cases assert in general that the defendants allegedly engaged in improper marketing and distribution of opioids and that defendants failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent the abuse and diversion of such products. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. From time to time, we also receive subpoenas or requests for information from government entities seeking information related to Hikma's sale, distribution, or manufacture of opioid products. The Group denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defence of these cases. Hikma is in the process of finalising a settlement with the State of New Mexico in litigation brought against Hikma and others in New Mexico state court. Hikma has also agreed to enter into mediation with representatives of the Plaintiffs' Executive Committee in the federal MDL. At this point, other than the amounts described above 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 Amarin has appealed the court's ruling. 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.