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Press Release

Hikma delivers strong performance in 2020

London, 25 February 2021 – Hikma Pharmaceuticals PLC ('Hikma' or 'Group'), the multinational pharmaceutical company, today reports its preliminary audited results for the year ended 31 December 2020.

Highlights:

Core results[1] (underlying) **$ million**	**2020**	2019	Change	Constant currency[2] change
Core revenue	**2,341**	2,203	6%	6%
Core operating profit	**566**	508	11%	17%
Core profit attributable to shareholders	**408**	364	12%	20%
Core basic earnings per share (cents)[3]	**172.9**	150.4	15%	23%

Reported results (statutory) **$ million**	**2020**	2019	Change	Constant currency[2] change
Revenue	**2,341**	2,207	6%	6%
Operating profit	**579**	493	17%	23%
Profit attributable to shareholders	**431**	486	(11)%	(5)%
Cashflow from operating activities	**464**	472	(2)%	-
Basic earnings per share (cents)[3]	**182.6**	200.8	(9)%	(3)%
Total dividend per share (cents)[3]	**50.0**	44.0	14%	-

Strong financial performance

- Core Group revenue up 6%, reflecting growth in all three businesses
- Core operating profit up 11%, driven by strong growth in profit of Generics and Injectables
- Strong cashflow from operating activities of $464 million, whilst maintaining higher inventory levels to ensure continuity of supply during the COVID-19 pandemic
- Continued investment in R&D of 6% of revenue, with growing pipeline of complex products
- Healthy balance sheet, with net debt[4] of $605 million and low leverage at 0.9x net debt to core EBITDA[5]

[1] Core results throughout the document are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 5 of the Group consolidated financial statements. Core results are a non-IFRS measure and a reconciliation to reported IFRS measures is provided on page 12

[2] Constant currency numbers in 2020 represent reported 2020 numbers translated using 2019 exchange rates, excluding price increases in the business resulting from the devaluation of currencies and excluding the impact from hyperinflation accounting. In 2020 Lebanon and Sudan were considered hyperinflationary economies, therefore the spot exchange rate as at 31 December 2020 was used to translate the results of these operations into US dollars

[3] In June 2020, Hikma purchased 12.8 million ordinary shares from Boehringer Ingelheim, which are being held in treasury. Earnings per share is calculated using the weighted average number of shares outstanding during the period. Dividend per share is calculated using the number of shares in issue at 31 December 2020.

[4] Group net debt is calculated as Group total debt less Group total cash, including restricted cash. Group net debt is a non-IFRS measure. See page 13 for a reconciliation of Group net debt to reported IFRS figures

[5] Core EBITDA is earnings before interest, tax, depreciation, amortisation and impairment charges/reversals. EBITDA is a non-IFRS measure, see page 13 for a reconciliation to reported IFRS results

- Full year dividend of 50 cents per share, up from 44 cents per share in 2019

Ongoing strategic progress

- Leveraged our strong foundation to meet increased demand for essential medicines used in the treatment of COVID-19, whilst continuing to maintain supply across our broader portfolio
- Continued to expand our portfolio of differentiated products – launched 154 new products across our markets, including icosapent ethyl capsules
- Received US FDA approval for generic Advair Diskus® and expect to resume launch as soon as the US FDA completes their priority review of the outstanding Prior Approval Supplement (PAS)
- Focused on building a culture of progress and belonging that engages and enables our employees

Continued momentum, with growth in all three businesses

- Injectables: Achieved double digit core operating profit growth reflecting the breadth of our product portfolio and the quality and flexibility of our manufacturing facilities
- Generics: Delivered significant improvement in core operating margin, driven by the strength of new launches, a good performance from in-market products, process efficiencies and our enhanced focus on customer service levels
- Branded: Achieved good growth in revenue, with a strong recovery in Algeria, while core operating profit declined due to the negative impact of foreign exchange

2021 outlook

- Injectables revenue growth in the mid-single digits, with core operating margin in the range of 37% to 38%
- Generics revenue in the range of $770 million to $810 million and core operating margin of around 20%
- Branded revenue expected to grow in the mid-single digits in constant currency

Siggi Olafsson, Chief Executive Officer of Hikma, said:

“Thanks to our strong foundation, flexible and high-quality manufacturing capabilities, robust supply chain and the unwavering dedication of our people to our purpose, Hikma was able to play a critical role in the pandemic. We responded rapidly to the changing needs of healthcare providers, supplying essential medicines used to treat COVID-19 patients, while continuing to provide the critical medicines our patients need every day.

Our response to the pandemic demonstrates the resilience of our business, which enabled us to deliver a strong financial performance and continued progress against our longer-term strategic objectives. We achieved good revenue growth in all our businesses and an improvement in core profitability. We expanded our portfolio with successful new launches and new partnership agreements, enhanced our manufacturing capabilities and continued to focus on the development of a more diverse, energised and engaged workforce. These achievements leave us well positioned for future growth and we look forward to continued success in 2021.”

Further information:

An analyst presentation will be available at www.hikma.com at 08:00 GMT this morning and management with host a Q&A for sell-side analysts at 10:00 GMT. A recording of the Q&A will be made available on the website. For further information please contact Tiina Lugmayer – Tiina@hikma.uk.com.

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About Hikma:

Hikma helps put better health within reach every day for millions of people in more than 50 countries around the world. For more than 40 years, we've been creating high-quality medicines and making them accessible to the people who need them. Headquartered in the UK, we are a global company with a local presence across the United States (US), the Middle East and North Africa (MENA) and Europe, and we use our unique insight and expertise to transform cutting-edge science into innovative solutions that transform people's lives. We're committed to our customers, and the people they care for, and by thinking creatively and acting practically, we provide them with a broad range of branded and non-branded generic medicines. Together, our 8,600 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 and Ba1/stable Moody's)

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Financial review

The financial review set out below summarises the performance of the Hikma Group and our three main business segments, Injectables, Generics and Branded, for the year ended 31 December 2020.

Group

	2020 $ million	2019 $ million	Change	Constant currency change
Revenue	**2,341**	2,207	6%	6%
Core revenue	**2,341**	2,203	6%	6%
Gross profit[6]	**1,201**	1,088	10%	10%
Core gross profit	**1,213**	1,095	11%	11%
Core gross margin	***51.8%***	*49.7%*	*2.1pp*	*2.0pp*
Operating profit	**579**	493	17%	23%
Core operating profit	**566**	508	11%	17%
Core operating margin	***24.2%***	*23.1%*	*1.1pp*	*2.2pp*

Group revenue was $2,341 million in 2020. Group core revenue grew 6% to $2,341 million (2019: $2,203 million), reflecting growth in each of our three businesses. Group core gross profit grew 11% to $1,213 million (2019: $1,095 million), as a result of the growth in revenue across all business segments and particularly the strong performance in Generics and Injectables. Group core gross margin was 51.8% (2019: 49.7%).

Group operating expenses were $622 million (2019: $595 million). Excluding adjustments related to the amortisation of intangible assets (other than software) of $42 million (2019: $34 million) and net income from exceptional items of $67 million (2019: $26 million), Group core operating expenses were $647 million (2019: $587 million).

Selling, general and administrative (SG&A) expenses were $509 million (2019: $494 million). Excluding the amortisation of intangible assets (other than software) and exceptional items, core SG&A expenses were $464 million (2019: $453 million), up 2%. The increase was primarily due to higher employee benefits. The impact of COVID-19 on SG&A expenses was broadly neutral with related increases in employee benefits offset by lower marketing and travel costs.

Research and development (R&D) expenses were $137 million (2019: $150 million). Excluding exceptional items, core R&D expenses were $137 million (2019: $126 million). This reflects increased investment in our Injectables R&D programme, as we build our pipeline of complex products. Core R&D was 6% of Group core revenue.

[6] Beginning in 2020, inventory related provisions are reported under the cost of sales line item for both 2020 and 2019 comparatives. In the 2019 audited financial statements, inventory related provisions were included in other operating income/(expenses). The reason for reclassification is to be in line with industry practice. The effect of the adjustment on the operating profit is shown in Note 1 of the Group consolidated financial statements.

Other net operating income[7] was $26 million (2019: $49 million income). Excluding exceptional items[8], core other net operating expenses were $44 million (2019: $8 million expense), primarily due to foreign exchange losses of $30 million as a result of significant foreign exchange movements in Sudan in the second half of the year, and $10 million of IT-related impairments.

The Group reported operating profit of $579 million (2019: $493 million). Excluding the impact of amortisation (other than software) and exceptional items, core operating profit increased by 11% to $566 million (2019: $508 million) and core operating margin was 24.2% (2019: 23.1%).

Group core revenue by business segment

$ million	**2020**		2019	
Injectables	**977**	42%	890	40%
Generics	**744**	32%	719	33%
Branded	**613**	26%	583	26%
Others	**7**	0%	11	1%
Total	**2,341**		2,203	

Group core revenue by region

$ million	**2020**		2019	
US	**1,406**	60%	1,355	61%
MENA	**770**	33%	719	33%
Europe and ROW	**165**	7%	129	6%
Total	**2,341**		2,203	

[7] Beginning in 2020, inventory related provisions are reported under the cost of sales line item for both 2020 and 2019 comparatives. In the 2019 audited financial statements, inventory related provisions were included in other operating income/(expenses). The reason for reclassification is to be in line with industry practice. The effect of the adjustment on the operating profit is shown in Note 1 of the Group consolidated financial statements.

[8] In 2020, exceptional items comprised a $62 million net impairment reversal of product related intangibles related to the Generics business, proceeds from an insurance claim related to a warehouse fire at one of our facilities in Jordan of $11 million and $3 million related to PPE impairment on our generic Advair Diskus®. Refer to Note 5 of the Group consolidated financial statements for further information

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Injectables

$ million	**2020**	2019	Change	Constant currency change
Revenue	**977**	894	9%	9%
Core revenue	**977**	890	10%	9%
Gross profit	**563**	509	11%	10%
Core gross profit	**563**	505	11%	11%
Core gross margin	***57.6%***	*56.7%*	*0.9pp*	*1.1pp*
Operating profit	**354**	320	11%	13%
Core operating profit	**377**	338	12%	14%
Core operating margin	***38.6%***	*38.0%*	*0.6pp*	*1.6 pp*

While we saw considerable variability in demand for our injectable products over the course of 2020 due to the COVID-19 pandemic, we were able to leverage our broad product portfolio, new launches and the flexibility of our manufacturing operations to meet changing customer needs and drive growth in Injectables revenue and profitability.

Injectables core revenue increased by 10% to $977 million (2019: $890 million). In constant currency, Injectables core revenue grew by 9%.

US Injectables core revenue grew 4% to $662 million (2019: $636 million), reflecting good demand for certain products used in the treatment of COVID-19, which, along with the strength of the broader portfolio and new product launches, more than offset the impact of a decline in elective surgeries.

MENA Injectables core revenue was $160 million, up 10% on both a reported and constant currency basis (2019: $146 million). This growth reflects an increase in demand for COVID-19 related products and continued growth of our biosimilar products as we increase our market share and continue to launch into new markets.

European Injectables core revenue was $155 million, up 44% (2019: $108 million). In constant currency, European Injectables revenue increased by 41%. This reflects a strong performance from our broad portfolio and new launches, particularly in Italy and Germany, as well as good demand for contract manufacturing, including our supply agreement with Gilead to manufacture remdesivir for injection.

Injectables core gross profit increased by 11% to $563 million (2019: $505 million) and core gross margin increased to 57.6% (2019: 56.7%), primarily reflecting revenue growth across all regions and an improvement in product mix in Europe and MENA.

Injectables core operating profit, which excludes the amortisation of intangible assets (other than software)[9] was $377 million (2019: $338 million). Core operating margin was 38.6% (2019: 38.0%), reflecting the improvement in gross profit, slightly offset by an increase in R&D investment and the impact of adverse foreign exchange movements of around $9 million, primarily related to the Sudanese pound. In constant currency, Injectables core operating profit grew 14%, and core operating margin expanded by 1.6 percentage points.

[9] Amortisation of intangible assets (other than software) was $23 million. Refer to Note 5 of the Group consolidated financial statements for further information

During the year, the Injectables business launched 10 products in the US, 34 in MENA and 33 in Europe. We submitted 230 filings to regulatory authorities across all markets. This primarily reflects our efforts to expand our European portfolio and register products in new European markets. We also signed new licensing deals, including an agreement with Sun Pharmaceuticals for ILUMYA™ and with Sesen Bio for Vicineum™.

In 2021, we expect Injectables revenue to grow in the mid-single digits, reflecting continued demand for COVID-19 related products, particularly in the first half, and a gradual return of elective surgeries over the course of the year. We expect core operating margin to be in the range of 37% to 38%.

Generics

$ million	**2020**	2019	Change
Revenue	**744**	719	3%
Gross profit	**329**	295	12%
Core gross profit	**341**	300	14%
Core gross margin	***45.8%***	*41.7%*	*4.1pp*
Operating profit	**203**	151	34%
Core operating profit	**161**	124	30%
Core operating margin	***21.6%***	*17.2%*	*4.4pp*

Our Generics business grew revenue and expanded profitability in 2020, supported by a strong contribution from new launches and good demand for our differentiated portfolio. We saw a slight increase in demand during the first half and then again towards the end of the year for certain COVID-19 related products. Throughout the year, our teams worked hard to ensure we maintained a high level of service for our customers.

Generics revenue grew 3% to $744 million (2019: $719 million). A better than expected contribution from new launches, as well as the strength of our differentiated portfolio more than offset an acceleration of price erosion in the second half of the year.

Generics core gross profit grew 14% to $341 million (2019: $300 million) and core gross margin increased to 45.8% (2019: 41.7%). This primarily reflected an improvement in the product mix as a result of both good demand for certain in-market products as well as the performance from new launches.

Generics core operating profit, which excludes the amortisation of intangible assets (other than software) and exceptional items[10], increased by 30% to $161 million (2019: $124 million). Core operating margin increased to 21.6% (2019: 17.2%). This significant improvement in profitability reflects the increase in core gross profit combined with process efficiencies.

In 2020, the Generics business launched six products and submitted six files to regulatory authorities. Launches included rufinamide, generic Afinitor® and generic Zortress®, for which we remain the sole generic in the market. During the year, we demonstrated our ability to challenge patents and obtain approvals for complex products. We received US FDA approval for icosapent ethyl capsules in May and following a successful court ruling, we launched the product in November. Our ability to supply the market

[10] Exceptional items comprised a $62 million net impairment reversal of product related intangibles related to the Generics business, $15 million related to inventory related provision write down and PPE impairment for generic Advair Diskus® and $4 million related to proceeds from an insurance claim related to a warehouse fire at one of our facilities in Jordan. Amortisation of intangible assets (other than software) was $9 million. Refer to Note 5 of the Group consolidated financial statements for further information

with this product is constrained at the moment due to limited availability of the active pharmaceutical ingredient and we are working hard to improve supply quantities over the course of 2021.

In December, we received US FDA approval for our generic Advair Diskus® and initiated launch. In January 2021, we temporarily paused the launch of this product in order to process an amendment to our Abbreviated New Drug Application (ANDA). This is classified as a Prior Approval Supplement (PAS) and needs to be reviewed by the FDA before we can introduce our product to the market. The PAS reflects enhanced packaging controls to meet new industry standards adopted since the initial submission of the ANDA application and does not affect the approved status of our ANDA. The FDA has granted this supplement priority status.

In 2021, we expect Generics revenue to be in the range of $770 million to $810 million. We expect core operating margin to be around 20%, reflecting increasing sales and marketing expenses, as we build our branded portfolio, and higher R&D costs.

Branded

$ million	**2020**	2019	Change	Constant currency change
Revenue	**613**	583	5%	5%
Gross profit	**307**	281	9%	8%
Core gross profit	**307**	287	7%	6%
Core gross margin	***50.1%***	*49.2%*	*0.9pp*	*0.1pp*
Operating profit	**120**	105	14%	30%
Core operating profit	**126**	129	(2)%	11%
Core operating margin	***20.6%***	*22.1%*	*(1.5)pp*	*1.2pp*

Our Branded business had another good year. We overcame challenges posed by COVID-19, quickly switching our sales and marketing teams onto virtual platforms and ensuring that our plants across the region could continue to operate safely. Our approach of tiering our markets continued to deliver success, with our Tier 1 countries - Algeria, Saudi Arabia and Egypt - all performing well, especially Algeria, which recovered strongly following a more challenging 2019. We saw a reduction in demand for certain products, including anti-infectives, resulting from the pandemic, which was more than offset by a growth in sales in our broader portfolio.

Branded revenue was $613 million (2019: $583 million), up 5% on both a reported and constant currency basis.

Branded core gross profit was $307 million, up 7% (2019: $287 million) and core gross margin was 50.1% (2019: 49.2%). In constant currency, core gross profit increased by 6%. The improvement in gross margin reflects an improvement in the product mix.

Core operating profit, which excludes the amortisation of intangibles (other than software) and exceptional items[11], was $126 million, down 2% (2019: $129 million), and core operating margin was 20.6% (2019: 22.1%). The decline reflects an increased expense of $22 million resulting from significant foreign

[11] In 2020, exceptional items comprised proceeds from an insurance claim related to a warehouse fire at one of our facilities in Jordan of $7 million and $3 million of severance and restructuring costs. Amortisation of intangible assets (other than software) was $10 million. Refer to Note 5 of the Group consolidated financial statements for further information

exchange movements, primarily in Sudan. In constant currency, core operating profit grew 11% and core operating margin expanded by 1.2 percentage points. The margin expansion in constant currency primarily reflects the improvement in gross profit and good control of costs.

During the year, the Branded business launched 71 products and submitted 141 filings to regulatory authorities. Revenue from in-licensed products represented 37% of Branded revenue (2019: 37%).

We expect Branded revenue to grow in the mid-single digits in constant currency in 2021.

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 $7 million in 2020 (2019: $11 million) with an operating profit of zero (2019: zero). This reduction in revenue is due to disruptions at IPRC in the first half of the year as a result of the COVID-19 pandemic.

Research and development

Our investment in R&D and business development enables us to continue expanding the Group's product portfolio. During 2020, we had 154 new launches and received 201 approvals.

	2020 submissions[12]	2020 approvals[12]	2020 launches[12]
Injectables			
US	15	16	10
MENA	55	41	34
Europe	160	25	33
Generics	6	8	6
Branded	141	111	71
Total	**377**	**201**	**154**

To ensure the continuous development of our product pipeline, we submitted 377 regulatory filings.

Net finance expense

Core net finance expense was $45 million (2019: $45 million). On a reported basis, net finance expense was $22 million (2019: zero), which reflects non-cash net income of $23 million resulting from the remeasurement of the contingent consideration related to the Generics business.

We expect core net finance expense to be around $50 million in 2021.

Profit before tax

Core profit before tax was $522 million (2019: $465 million), up 12%, reflecting the strong performance of our three business segments. Reported profit before tax was $558 million (2019: $491 million).

Tax

The Group incurred a reported tax expense of $128 million (2019: $4 million) and an effective tax rate of 22.9% (2019: 0.8%). This follows the utilisation in 2019 of previously unrecognised tax losses and deferred tax benefits recognised upon the internal reorganisation of intangible assets. Excluding exceptional items,

[12] New products submitted, approved and launched by country in 2020

Group core tax expense was $115 million (2019: $100 million). The core effective tax rate increased slightly to 22.0% (2019: 21.5%), primarily due to a change in the earnings mix.
We expect the Group core effective tax rate to be in the range of 22% to 23% in 2021.

Profit attributable to shareholders

Profit attributable to shareholders was $431 million (2019: $486 million). The decline reflects the utilisation in 2019 of previously unrecognised tax losses and deferred tax benefits. Core profit attributable to shareholders increased by 12% to $408 million (2019: $364 million).

Earnings per share

Basic earnings per share was 182.6 cents (2019: 200.8 cents). Core basic earnings per share increased by 15% to 172.9 cents (2019: 150.4 cents) and core diluted earnings per share increased by 14% to 171.4 cents (2019: 149.8 cents).

Dividend

The Board is recommending a final dividend of 34 cents per share (approximately 24 pence per share) (2019: 30 cents per share) bringing the total dividend for the full year to 50 cents per share (approximately 36 pence per share) (2019: 44 cents per share). The proposed dividend will be paid on 26 April 2021 to eligible shareholders on the register at the close of business on 19 March 2021, subject to approval at the Annual General Meeting on 23 April 2021.

Net cash flow, working capital and net debt

The Group generated strong operating cash flow of $464 million (2019: $472 million). The slight decline versus 2019 reflects higher Group working capital days - up 62 days to 264 days – as a result of a strategic decision to maintain higher inventory levels to ensure continuity of supply for customers during the pandemic.

Capital expenditure was $172 million (2019: $119 million), ahead of expectations. As the market outlook improved through the second half of the year, we proceeded with several projects to expand and enhance our capabilities. In the US, $89 million was spent upgrading equipment and adding new technologies for our Generics and Injectables businesses. In MENA, $67 million was spent on strengthening and expanding manufacturing capabilities. In Europe, we spent $16 million on strengthening our capabilities, including finalising our new high containment facility. We expect Group capital expenditure to be in the range of $140 million to $160 million in 2021.

The Group's total debt increased to $932 million at 31 December 2020 (31 December 2019: $685 million). This increase primarily reflects the full utilisation of the Group´s $150 million 2017 International Finance Corporation (IFC) facility. During the year, the Group signed a new $200 million IFC loan facility which, along with the Group's revolving credit facility, was undrawn at year end.

The Group cemented its strength in the debt capital markets, with the raising of a new 3.25% coupon $500 million Eurobond in July, following the repayment of our previous bond in April. During the year, we also achieved investment grade status, an accomplishment which demonstrates the quality of the business.

The Group's cash balance at 31 December 2020 was $327 million (2019: $443 million). This decrease is primarily related to the purchase of 12.8 million ordinary shares from Boehringer Ingelheim (BI) for $375 million, in connection with BI´s disposal of its 16% stake in Hikma, which was settled through a combination of cash and existing facilities.

The Group's net debt (excluding co-development agreements and contingent liabilities) was $605 million at 31 December 2020 (31 December 2019: $242 million). This increase primarily reflects the purchase of shares from BI, as outlined above. We have maintained a comfortable level of leverage with a net debt to core EBITDA ratio of 0.9x.

Balance sheet

Net assets at 31 December 2020 were $2,148 million (31 December 2019: $2,129 million). Net current assets were $894 million (31 December 2019: $377 million) primarily due to a change in the debt maturity profile as a result of the repayment of the Eurobond during the period and an increase in inventory levels.

Outlook for 2021

We expect Injectables revenue to grow in the mid-single digits. We expect core operating margin to be in the range of 37% to 38%.

We expect Generics revenue to be in the range of $770 million to $810 million and core operating margin to be around 20%.

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

We expect Group net finance expense to be around $50 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.

The Board

The Board of Directors that served during all or part of the twelve-month period to 31 December 2020 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. To provide a more complete picture of the Group's performance to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. Our core results exclude the exceptional items and other adjustments set out in Note 5 of the Group consolidated financial statements.

Group operating profit	**2020 $million**	2019 $million
Core operating profit	**566**	**508**
R&D costs	-	(24)
Jordan warehouse fire incident	11	(13)
Proceeds from legal claim	-	32
Contingent consideration adjustment	-	7
MENA severance and restructuring costs	(3)	(7)
Integration costs	-	4
Net impairment reversal of product related intangibles	62	20
Intangible assets amortisation other than software	(42)	(34)
Assets write off	(15)	-
Reported operating profit	**579**	**493**

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 2020 represent reported 2020 numbers translated using 2019 exchange rates, excluding price increases in the business resulting from the devaluation of currencies and excluding the impact from hyperinflation accounting. In 2020 Lebanon and Sudan were considered hyperinflationary economies, therefore the spot exchange rate as at 31 December 2020 was used to translate the results of these operations into US dollars.

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EBITDA

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

EBITDA **$ million**	**2020**	2019
Reported operating profit	**579**	**493**
Depreciation, amortisation and impairment charges/reversals	91	99
Reported EBITDA	**670**	**592**
Exceptional items:		
R&D costs	-	24
Jordan warehouse fire incident	(11)	13
Assets write off	12	-
Proceeds from legal claim	-	(32)
Contingent consideration adjustment	-	(7)
MENA severance and restructuring costs	3	7
Integration costs	-	(4)
Core EBITDA	**674**	**593**

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 **$ million**	**31 Dec 2020**	31 Dec 2019
Short-term financial debts	(158)	(569)
Short-term leases liabilities	(10)	(9)
Long-term financial debts	(692)	(48)
Long-term leases liabilities	(72)	(59)
Total debt	**(932)**	**(685)**
Cash, cash equivalents and restricted cash	327	443
Net debt	**(605)**	**(242)**

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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 "intends", "believes", "anticipates", "expects", "estimates", "forecasts", "targets", "aims", "budget", "scheduled" or words or terms of similar substance or the negative thereof, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved.

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

Other than in accordance with its legal or regulatory obligations (including under the 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. All subsequent oral or written forward looking statements attributable to Hikma or any of its members, directors, officers or employees or any person acting on their behalf are expressly qualified in their entirety by the cautionary statement above. Past share performance cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit forecast.

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

Principal risks and uncertainties

The Group faces risks from a range of sources that could have a material impact on our financial commitments and ability to trade in the future. The principal risks are determined via robust assessment considering our risk context by the Board of Directors with input from executive management. Despite the challenging environment caused by the COVID-19 pandemic, the principal risks facing the company have not materially changed over the year and they are set out in the 2020 annual report on pages 55 – 58, which will be available on 17 March 2021. 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 2020

	Note	2020 Core results $m	2020 Exceptional items and other adjustments (Note 5) $m	2020 Reported results $m	2019 Core results $m	2019 Exceptional items and other adjustments (Note 5) $m	2019 Reported results $m
Revenue	3	**2,341**	**-**	**2,341**	2,203	4	2,207
Cost of sales[1]		**(1,128)**	**(12)**	**(1,140)**	(1,108)	(11)	(1,119)
Gross profit/(loss)		**1,213**	**(12)**	**1,201**	1,095	(7)	1,088
Selling, general and administrative expenses		**(464)**	**(45)**	**(509)**	(453)	(41)	(494)
Net impairment loss on financial assets		**(2)**	**-**	**(2)**	-	-	-
Research and development expenses		**(137)**	**-**	**(137)**	(126)	(24)	(150)
Other operating income/(expenses), net[1]		**(44)**	**70**	**26**	(8)	57	49
Total operating (expenses)/income		**(647)**	**25**	**(622)**	(587)	(8)	(595)
Operating profit/(loss)	4	**566**	**13**	**579**	508	(15)	493
Finance income		**9**	**38**	**47**	7	60	67
Finance expense		**(54)**	**(15)**	**(69)**	(52)	(15)	(67)
Gain from investment at fair value through profit and loss (FVTPL)		**1**	**-**	**1**	2	-	2
Loss from investment divestiture		**-**	**-**	**-**	-	(4)	(4)
Profit before tax		**522**	**36**	**558**	465	26	491
Tax	6	**(115)**	**(13)**	**(128)**	(100)	96	(4)
Profit for the year		**407**	**23**	**430**	365	122	487
Attributable to:							
Non-controlling interests		**(1)**	**-**	**(1)**	1	-	1
Equity holders of the parent		**408**	**23**	**431**	364	122	486
		407	**23**	**430**	365	122	487
Earnings per share (cents)	8						
Basic		**172.9**		**182.6**	150.4		200.8
Diluted		**171.4**		**181.1**	149.8		200.0

[1] Inventory related provisions have been reclassified under the cost of sales line item in order to align with industry practice. Previously the costs were reflected in other operating income/(expenses), net and hence the 2019 numbers have consequently been restated. See Note 1 for more details

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Hikma Pharmaceuticals PLC
Consolidated statement of comprehensive income
For the year ended 31 December 2020

	2020 Reported results	2019 Reported results
	$m	$m
Profit for the year	**430**	487
Other comprehensive income		
Items that may subsequently be reclassified to the consolidated income statement, net of tax:		
Currency translation gain and hyperinflation movement	**39**	20
Items that will not subsequently be reclassified to the consolidated income statement, net of tax:		
Remeasurement of post-employment benefit obligations	**(1)**	-
Change in investments at fair value through other comprehensive income (FVTOCI)	**2**	(2)
Total comprehensive income for the year	**470**	505
Attributable to:		
Non-controlling interests	**2**	2
Equity holders of the parent	**468**	503
	470	505

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Hikma Pharmaceuticals PLC
Consolidated balance sheet
At 31 December 2020

	Note	2020 $m	2019 $m
Non-current assets			
Goodwill	9	**289**	282
Other intangible assets	9	**587**	552
Property, plant and equipment		**1,009**	912
Right-of-use assets		**59**	50
Investment in joint ventures		**9**	11
Deferred tax assets		**221**	243
Financial and other non-current assets		**39**	32
		2,213	2,082
Current assets			
Inventories		**757**	568
Income tax receivable		**36**	79
Trade and other receivables	10	**756**	719
Collateralised and restricted cash		**4**	1
Cash and cash equivalents		**323**	442
Other current assets		**46**	39
		1,922	1,848
Total assets		**4,135**	3,930
Current liabilities			
Short-term financial debts	11	**158**	569
Lease liabilities		**10**	9
Trade and other payables		**470**	473
Income tax payable		**72**	82
Other provisions		**28**	23
Other current liabilities		**290**	315
		1,028	1,471
Net current assets		**894**	377
Non-current liabilities			
Long-term financial debts	12	**692**	48
Lease liabilities		**72**	59
Deferred tax liabilities		**31**	20
Other non-current liabilities		**164**	203
		959	330
Total liabilities		**1,987**	1,801
Net assets		**2,148**	2,129
Equity			
Share capital	14	**41**	41
Share premium		**282**	282
Other reserves		**(80)**	(179)
Retained earnings[1]		**1,892**	1,973
Equity attributable to equity holders of the parent		**2,135**	2,117
Non-controlling interests		**13**	12
Total equity		**2,148**	2,129

[1] Beginning in 2020, own shares are deducted from retained earnings. At 31 December 2019, own shares of $(1) million were included in other reserves (Note 14)

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Hikma Pharmaceuticals PLC
Consolidated statement of changes in equity
For the year ended 31 December 2020

	Merger and revaluation reserves	Translation reserve	Own shares	Total other reserves	Retained earnings	Share capital	Share premium	Equity attributable to equity shareholders of the parent	Non-controlling interests	Total equity
	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 1 January 2019 as adjusted[1]	38	(254)	(1)	(217)	1,582	40	282	1,687	12	1,699
Profit for the year[2]	20	-	-	20	466	-	-	486	1	487
Change in investments at FVTOCI	-	-	-	-	(2)	-	-	(2)	-	(2)
Currency translation gain and hyperinflation movement	-	19	-	19	-	-	-	19	1	20
Total comprehensive income for the year	20	19	-	39	464	-	-	503	2	505
Total transactions with owners, recognised directly in equity										
Cost of equity-settled employee share scheme	-	-	-	-	24	-	-	24	-	24
Exercise of employees share scheme	(1)	-	-	(1)	-	1	-	-	-	-
Dividends paid (Note 7)	-	-	-	-	(97)	-	-	(97)	(2)	(99)
Balance at 31 December 2019 and 1 January 2020	57	(235)	(1)	(179)	1,973	41	282	2,117	12	2,129
Reclassification[3]	-	-	1	1	(1)	-	-	-	-	-
Balance at 1 January 2020 as adjusted	57	(235)	-	(178)	1,972	41	282	2,117	12	2,129
Profit for the year[2]	62	-	-	62	369	-	-	431	(1)	430
Change in investments at FVTOCI	-	-	-	-	2	-	-	2	-	2
Remeasurement of post-employment benefit obligations	-	-	-	-	(1)	-	-	(1)	-	(1)
Currency translation gain and hyperinflation movement	-	36	-	36	-	-	-	36	3	39
Total comprehensive income for the year	62	36	-	98	370	-	-	468	2	470
Total transactions with owners, recognised directly in equity										
Cost of equity-settled employee share scheme	-	-	-	-	27	-	-	27	-	27
Dividends paid (Note 7)	-	-	-	-	(109)	-	-	(109)	(1)	(110)
Share buyback (Note 14)	-	-	-	-	(368)	-	-	(368)	-	(368)
Balance at 31 December 2020	**119**	**(199)**	**-**	**(80)**	**1,892**	**41**	**282**	**2,135**	**13**	**2,148**

[1] The Group adopted IFRIC 23 as of 1 January 2019. The impact of adoption was a decrease of $2 million of the amount previously held for uncertain tax positions which was credited to retained earnings
[2] A net Impairment reversal of $62 million (2019: $20 million) has been allocated from retained earnings to the merger and revaluation reserves in relation to the Generics segment (Note 5 and 9)
[3] Beginning in 2020, own shares are deducted from retained earnings. At 31 December 2019, own shares of $(1) million were separately presented in other reserves (Note 14)

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Hikma Pharmaceuticals PLC
Consolidated cash flow statement
For the year ended 31 December 2020

	Note	2020 $m	2019 $m
Cash flows from operating activities			
Cash generated from operations	13	**525**	580
Income taxes paid		**(68)**	(125)
Income taxes received		**7**	17
Net cash inflow from operating activities		**464**	472
Cash flow from investing activities			
Purchases of property, plant and equipment		**(172)**	(119)
Proceeds from disposal of property, plant and equipment		**-**	2
Purchase of intangible assets		**(52)**	(67)
Increase in investment in financial and other non-current assets		**-**	(1)
Proceeds from sale of investment at FVTOCI		**-**	12
Additions of investments at FVTOCI		**(5)**	(5)
Acquisition of business undertakings net of cash acquired		**-**	(8)
Proceeds from investment divestiture		**2**	2
Contingent consideration (paid)/received		**(60)**	27
Interest income received		**7**	6
Investment related amounts held in escrow account		**(3)**	-
Net cash outflow from investing activities		**(283)**	(151)
Cash flow from financing activities			
(Increase) in collateralised and restricted cash		**-**	(1)
Proceeds from issue of long-term financial debts		**1,543**	19
Repayment of long-term financial debts		**(1,372)**	(11)
Proceeds from short-term borrowings		**430**	267
Repayment of short-term borrowings		**(367)**	(273)
Repayment of lease liabilities		**(14)**	(12)
Dividends paid		**(109)**	(97)
Dividends paid to non-controlling shareholders of subsidiaries		**(1)**	(2)
Interest and bank charges paid		**(39)**	(44)
Share buyback		**(375)**	-
Commitment fees received related to the share buyback		**7**	-
Payment to co-development and earnout payment agreement		**(1)**	(1)
Net cash outflow from financing activities		**(298)**	(155)
Net (decrease)/increase in cash and cash equivalents		**(117)**	166
Cash and cash equivalents at beginning of year		**442**	276
Foreign exchange translation movements		**(2)**	-
Cash and cash equivalents at end of year		**323**	442

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 England and Wales 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 are prepared in accordance with:

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

(ii) International Financial Reporting Standards 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 IFRSs issued by the IASB and also in accordance with IFRSs adopted for use in the European Union.

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 2020 or 2019 but is derived from those accounts.

Adoption of new and revised standards

The following revised Standards and Interpretations have been issued and are effective on annual periods beginning on or after 1 January 2020. These amendments had no impact on the consolidated financial statements of the Group but may impact the accounting for future transactions and arrangements.

IFRS 3 (Amendments)	Business Combinations
IFRS 7 (Amendments)	Financial Instruments: Disclosures
IFRS 9 (Amendments)	Financial Instruments
IFRS 16 (Amendments)	Leases
IAS 1 (Amendments)	Presentation of Financial Statements
IAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 39 (Amendments)	Financial Instruments: Recognition and Measurement
Conceptual Framework for Financial Reporting	

Reclassification of 2019 financial statements

Beginning in 2020, inventory related provisions are reported under the cost of sales line item for both 2020 and 2019 comparatives. In 2019 audited financial statements, inventory related provisions were included in other operating income/(expenses), net line item. The reason for reclassification is to be in line with industry practice. The effect of the adjustment on the operating profit was as follows:

	2019 results as previously reported $m	Adjustment $m	Adjusted 2019 reported results $m
Cost of Sales	(1,059)	(60)	(1,119)
Gross Profit	1,148	(60)	1,088
Other operating income/(expenses), net	(11)	60	49
Operating Profit	493	-	493

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 to external audiences, we provide, alongside our reported results, core results, which are a non-IFRS measure. Reconciliation between core and reported results are provided in our consolidated financial statements.

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

Exceptional items

Exceptional items represent adjustments for costs and profits which management believes to be exceptional in nature by virtue of their size or incidence, or have a distortive effect on current year earnings, such as costs associated with business combinations, one-off gains and losses on disposal of businesses

assets, reorganisation costs, write-down and impairment charges/reversal on assets and impairment of goodwill, and any exceptional items related to tax such as significant tax benefit/expense associated with previously unrecognised deferred tax assets/ liabilities.

Other adjustments
These include amortisation of intangibles excluding software and finance income and expense resulting from remeasurement of contingent consideration and co-development earnout payment agreement, financial liability and asset.

Both exceptional items and other adjustments are excluded from core results to improve comparability of our consolidated financial statements, consistent with our industry peers. 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.

The basis of determining exceptional items and other adjustments did not change from the prior year.

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 twelve 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 and compliance with our debt covenants. Therefore, the Directors believe that the Group and its subsidiaries are adequately placed to manage its business and financing risks successfully, despite the current uncertain economic and political outlook. Having reassessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. Revenue from contracts with customers

Business and geographical markets

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

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

Year ended 31 December 2019	Injectables $m	Generics $m	Branded $m	Others $m	Total $m
United States	640	719	-	-	1,359
Middle East and North Africa	146	-	567	6	719
Europe and rest of the world	101	-	16	5	122
United Kingdom	7	-	-	-	7
	894	719	583	11	2,207

The top selling markets in 2020 are as below:

	2020 $m	2019 $m
United States	**1,406**	1,359
Saudi Arabia	**223**	204
Egypt	**118**	114
	1,747	1,677

In 2020, included in revenue arising from the Generics and Injectables segments are sales the Group made to two wholesalers in the US of approximately $607 million (2019: $594 million). Each of these customers accounted for equal to or greater than 10% of Group's revenue in the period on an individual basis.

The following table provide contract balances related to revenue:

	2020 $m	2019 $m
Trade receivables (Note 10)	**662**	637
Contract assets	**3**	-
Contract liabilities	**162**	142

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

Contract liabilities mainly relate to returns provision and free goods balance.

4. Business segments

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

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

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

Injectables	**2020 Core results** $m	**2020 Exceptional items and other adjustments (Note 5)** $m	**2020 Reported results** $m	2019 Core results $m	2019 Exceptional items and other adjustments (Note 5) $m	2019 Reported results $m
Revenue	**977**	**-**	**977**	890	4	894
Cost of sales[1]	**(414)**	**-**	**(414)**	(385)	-	(385)
Gross profit	**563**	**-**	**563**	505	4	509
Total operating expenses[1]	**(186)**	**(23)**	**(209)**	(167)	(22)	(189)
Segment result	**377**	**(23)**	**354**	338	(18)	320

Generics	**2020 Core results** $m	**2020 Exceptional items and other adjustments (Note 5)** $m	**2020 Reported results** $m	2019 Core results $m	2019 Exceptional items and other adjustments (Note 5) $m	2019 Reported results $m
Revenue	**744**	**-**	**744**	719	-	719
Cost of sales[1]	**(403)**	**(12)**	**(415)**	(419)	(5)	(424)
Gross profit	**341**	**(12)**	**329**	300	(5)	295
Total operating expenses[1]	**(180)**	**54**	**(126)**	(176)	32	(144)
Segment result	**161**	**42**	**203**	124	27	151

[1] Inventory related provisions have been reclassified under the cost of sales line item in order to align with industry practice. Previously the costs were reflected in other operating income/(expenses), net and hence the 2019 numbers have consequently been restated. See Note 1 for more details

Branded	2020 Core results	2020 Exceptional items and other adjustments (Note 5)	2020 Reported results	2019 Core results	2019 Exceptional items and other adjustments (Note 5)	2019 Reported results
	$m	$m	$m	$m	$m	$m
Revenue	**613**	**-**	**613**	583	-	583
Cost of sales[1]	**(306)**	**-**	**(306)**	(296)	(6)	(302)
Gross profit	**307**	**-**	**307**	287	(6)	281
Total operating expenses[1]	**(181)**	**(6)**	**(187)**	(158)	(18)	(176)
Segment result	**126**	**(6)**	**120**	129	(24)	105

[1] Inventory related provisions have been reclassified under the cost of sales line item in order to align with industry practice. Previously the costs were reflected in other operating income/(expenses), net and hence the 2019 numbers have consequently been restated. See Note 1 for more details

Others[2]	2020 Core results	2020 Exceptional items and other adjustments (Note 5)	2020 Reported results	2019 Core results	2019 Exceptional items and other adjustments (Note 5)	2019 Reported results
	$m	$m	$m	$m	$m	$m
Revenue	**7**	**-**	**7**	11	-	11
Cost of sales	**(5)**	**-**	**(5)**	(8)	-	(8)
Gross profit	**2**	**-**	**2**	3	-	3
Total operating expenses	**(2)**	**-**	**(2)**	(3)	-	(3)
Segment result	**-**	**-**	**-**	-	-	-

[2] Others mainly comprises Arab Medical Containers LLC and International Pharmaceutical Research Center LLC

Group	2020 Core results	2020 Exceptional items and other adjustments (Note 5)	2020 Reported results	2019 Core results	2019 Exceptional items and other adjustments (Note 5)	2019 Reported results
	$m	$m	$m	$m	$m	$m
Segment result	**664**	**13**	**677**	591	(15)	576
Unallocated expenses[3]	**(98)**	**-**	**(98)**	(83)	-	(83)
Operating profit/(loss)	**566**	**13**	**579**	508	(15)	493
Finance income	**7**	**38**	**45**	7	60	67
Finance expense	**(52)**	**(15)**	**(67)**	(52)	(15)	(67)
Gain/(loss) from investment at FVTPL	**1**	**-**	**1**	2	-	2
Loss from investment divestiture	**-**	**-**	**-**	-	(4)	(4)
Profit before tax	**522**	**36**	**558**	465	26	491
Tax	**(115)**	**(13)**	**(128)**	(100)	96	(4)
Profit for the year	**407**	**23**	**430**	365	122	487
Attributable to:						
Non-controlling interests	**(1)**	**-**	**(1)**	1	-	1
Equity holders of the parent	**408**	**23**	**431**	364	122	486
	407	**23**	**430**	365	122	487

[3] In 2020, unallocated corporate expenses mainly comprise employee costs, third-party professional fees and software impairments while in 2019, unallocated corporate expenses mainly comprise employee costs, third-party professional fees, IT and travel expenses

5. Exceptional items and other adjustments

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

	2020	Generics	Injectables	Branded	Others	Unallocated	Total
		$m	$m	$m	$m	$m	$m
Exceptional Items							
Jordan warehouse fire incident	Other operating (expense)/income	4	-	7	-	-	11
MENA severance and restructuring costs	SG&A	-	-	(3)	-	-	(3)
Assets write off - PPE Impairment	Other operating (expense)/income	(3)	-	-	-	-	(3)
Assets write off - inventory related provisions	Cost of sales	(12)	-	-	-	-	(12)
Impairment reversal of product related intangibles, net	Other operating (expense)/income	62	-	-	-	-	62
Exceptional items		51	-	4	-	-	55
Other adjustments							
Intangible assets amortisation other than software	SG&A	(9)	(23)	(10)	-	-	(42)
Unwinding and remeasurement of contingent consideration and other financial liabilities, net	Finance expense	-	-	-	-	23	23
Exceptional items and other adjustments including in profit before tax		42	(23)	(6)	-	23	36
Tax expenses associated with previously unrecognised deferred tax assets	Tax	-	-	-	-	(3)	(3)
Tax effect on exceptional items and other adjustments	Tax	-	-	-	-	(10)	(10)
Impact on profit for the year		42	(23)	(6)	-	10	23

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

Exceptional items

— Jordan warehouse fire incident: In 2020, Hikma recognised $11 million for insurance compensation related to a fire incident which took place in 2019 at one of Hikma's Jordan facilities. The Group received part of the insurance compensation of $4 million in 2019 and $1 million in March 2020

— MENA severance and restructuring costs: of $3 million related to one-off organisational restructuring in MENA that started in 2019 and finished in 2020

— Assets write off: In December 2020, Hikma submitted to the FDA a Prior Approval Supplement (PAS) relating to generic Advair Diskus®. The amendment reflects enhanced packaging controls to meet new industry standards adopted since the initial submission of its ANDA application. As a result, the launch has been temporarily paused and inventory amounting to $12 million is expected to expire before launch and has been written off. In addition, $3 million of property, plant and equipment was written off

— Impairment reversal of product related intangibles, net: $66 million net impairment reversal in respect of specific product related intangibles in the Generics segment which reflects a better than expected performance of certain marketed products acquired through business combination offset by $4 million impairment charge (Note 9)

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

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

	2019	Generics	Injectables	Branded	Others	Unallocated	Total
		$m	$m	$m	$m	$m	$m
Exceptional Items							
R&D cost	R&D	(24)	-	-	-	-	(24)
Jordan warehouse fire incident	Cost of sales	(5)	-	(6)	-	-	(11)
Jordan warehouse fire incident	Other operating (expense)/income	(1)	-	(1)	-	-	(2)
Proceeds from legal claim	Other operating (expense)/income	32	-	-	-	-	32
Contingent consideration adjustment	Other operating (expense)/income	7	-	-	-	-	7
MENA severance and restructuring costs	SG&A	-	-	(7)	-	-	(7)
Integration costs	Revenue	-	4	-	-	-	4
Loss from investment divestiture	Other expenses	-	-	-	(4)	-	(4)
Impairment reversal of product related intangibles, net	Other operating (expense)/income	20	-	-	-	-	20
Exceptional items		29	4	(14)	(4)	-	15
Other adjustments							
Intangible assets amortisation other than software	SG&A	(2)	(22)	(10)	-	-	(34)
Unwinding and remeasurement of contingent consideration, financial liability and asset, net	Finance income/(expense)	-	-	-	-	45	45
Exceptional items and Other adjustments including in profit before tax		27	(18)	(24)	(4)	45	26
Tax benefit associated with previously unrecognised deferred tax assets	Tax	-	-	-	-	49	49
Tax benefit associated with the internal reorganisation of intangible assets	Tax	-	-	-	-	48	48
Tax effect on exceptional items and other adjustments	Tax	-	-	-	-	(1)	(1)
Impact on profit for the year		**27**	**(18)**	**(24)**	**(4)**	**141**	**122**

- R&D cost: Hikma incurred $24 million of research and development costs related to a repeat clinical endpoint study for generic Advair Diskus®. The study was completed in November 2019. The study and certain additional information was submitted to the US FDA for their review. In December 2020, Hikma has received the US FDA approval
- Jordan warehouse fire incident: During 2019, a fire broke out in a warehouse at one of Hikma's Jordan facilities which serves the Generics and Branded segments. Production was halted for a period of time and inventory was damaged. The associated loss was $17 million, mainly comprising damaged inventory and the cost to remediate property, plant and equipment. Up to 31 December 2019, the Group has received part of the insurance compensation of $4 million related to the fire incident resulting in a net exceptional expense of $13 million
- Proceeds from legal claim: Hikma received compensation proceeds of $32 million in relation to a litigation matter with an external party where one of Hikma's product's sales were halted by a temporary restraining order and an injunction. The litigation was resolved in Hikma's favour and a payment was received from the plaintiff representing lost profit over the affected time period
- Contingent consideration adjustment: The contingent consideration adjustment of $7 million relates to a change in estimate of the amount of expected contingent payments Hikma was entitled to receive under the terms of the Columbus acquisition agreement
- MENA severance and restructuring costs: of $7 million related to one-off organisational restructuring in MENA
- Integration costs: A provision of $4 million in relation to integration costs of the Columbus business and the consolidation of the distribution centre in the US was released. This was previously provided for in 2018 as exceptional items
- Loss from investment divestiture: $4 million loss from divestiture of Medlac investment

— Impairment reversal of product related intangibles, net: $21 million impairment reversal of product related intangibles related to specific product related assets in Generics segment offset by $1 million impairment charge
— Tax (expense) benefit associated with previously unrecognised deferred tax assets: The Group has benefitted $49 million from the utilisation of previously unrecognised deferred tax assets following the internal reorganisation of intangible assets (Note 6)
— Tax benefit associated with the internal reorganisation of intangible assets: The Group has recorded a $48 million tax benefit associated with the internal reorganisation of intangible assets (Note 6)

Other adjustments
Remeasurement of contingent consideration, financial liability and asset represents the net difference resulting from the valuation of the liabilities and assets associated with the future contingent payments and receivables in respect of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement. The remeasurement is included in finance income and expense.

Intangible assets amortisation other than software of $42 million (2019: $34 million)

6. Tax

	2020 Core results	**2020 Exceptional items and other adjustments (Note 5)**	**2020 Reported results**	2019 Core results	2019 Exceptional items and other adjustments (Note 5)	2019 Reported results
	$m	**$m**	**$m**	$m	$m	$m
Current tax:						
UK corporation	**-**	**-**	**-**	16	32	48
Foreign tax	**99**	**(2)**	**97**	73	(3)	70
Adjustment to prior year	**(1)**	**3**	**2**	-	-	-
Deferred tax						
Current year	**19**	**12**	**31**	2	(125)	(123)
Adjustment to prior year	**(2)**	**-**	**(2)**	9	-	9
	115	**13**	**128**	100	(96)	4

UK corporation tax is calculated at 19.0% (2019: 19.0%) of the estimated assessable profit made in the UK for the year.

The Group incurred a tax expense of $128 million (2019: $4 million). The effective tax charge rate is 22.9% (2019: 0.8%). The reported effective tax rate is higher than the statutory rate primarily due to the earnings mix.

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

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

	2020 $m	2019 $m
Profit before tax	**558**	491
Tax at the UK corporation tax rate of 19.0% (2019: 19.0%)	**106**	93
Profits taxed at different rates	**7**	3
Permanent differences		
- Non-deductible expenditure	**7**	4
- Rate differential on unrealised intercompany profits on inventory sales	**-**	1
- Other permanent differences	**-**	2
- R&D benefit	**(3)**	(2)
State and local taxes	**8**	7
Temporary differences		
- Rate change tax losses and other deductible temporary differences for which no benefit is recognised	**6**	2
- Exceptional tax expenses/(benefit) associated with previously unrecognised tax losses (Note 5)	**3**	(49)
- Exceptional tax (benefit) associated with the internal reorganisation of intangible assets (Note 5)	**-**	(48)
Change in provision for uncertain tax positions	**(8)**	(14)
Unremitted earnings	**4**	(4)
Prior year adjustments	**(2)**	9
Tax expense for the year	**128**	4

Profits taxed at different tax rates relates to profits arising in overseas jurisdictions where the tax rate differs from the UK statutory rate .

Permanent differences relate to items which are non-taxable or for which no tax relief is ever likely to be due. The major items are expenses and income disallowed where they are covered by statutory exemptions, foreign exchange differences in some territories and statutory reliefs such as R&D. In 2020, the R&D benefit is now presented in a separate line item due to its increasing relevance to the effective tax rate. The comparative figures were reclassified to match the 2020 disclosure (in 2019, the R&D benefit of $2 million was split equally between the non-taxable income and the non-deductible expenditure line items).

Rate change tax losses and other deductible temporary differences for which no benefit is recognised includes items for which it is not possible to book deferred tax and comprise mainly unrecognised tax losses .

The exceptional tax benefit associated with previously unrecognised tax losses is a result of the internal reorganisation of intangible assets during 2019.

The exceptional tax benefit associated with the 2019 internal reorganisation of intangible assets is mainly due to a higher amortisable base resulting in a higher estimated future tax deduction.

The change in provision for uncertain tax positions relates to the provisions the Group holds in the event of a revenue authority successfully taking an adverse view of the positions adopted by the Group in 2020 and primarily relates to a transfer pricing adjustment. As at the consolidated balance sheet date, the Group held an aggregate provision in the sum of $43 million (2019: $53 million) in respect of liabilities likely to arise from estimation uncertainties. Hikma released $8 million in 2020 (2019: $9 million) due to the statute of limitations and released $4 million (2019: $12 million) following settlements. This was offset by new provisions and updates of $4 million booked in 2020 (2019: $7 million). The currency exchange differences for the year is a $2 million reduction to the aggregate provision. In 2021, up to $7 million could be released primarily on the same grounds. If all areas of uncertainty were audited and all areas resulted with 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 estimated tax provision reported in a prior period's consolidated financial statements. This category also includes adjustments (favourable or adverse) in respect of uncertain tax positions.

Publication of tax strategy

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

7. Dividends

	Paid in 2020 $m	Paid in 2019 $m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2019 of 30.0 cents (31 December 2018: 26.0 cents) per share	**72**	63
Interim dividend during the year ended 31 December 2020 of 16.0 cents (31 December 2019: 14.0 cents) per share	**37**	34
	109	97

The proposed final dividend for the year ended 31 December 2020 is [34.0] cents (2019: 30.0 cents).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 23 April 2021 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 2020 (230,458,116), the unrecognised liability is $78 million.

8. Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of Ordinary Shares. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of the Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all dilutive potential Ordinary Shares into 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.

	2020 Core results	**2020 Exceptional items and other adjustments (Note 5)**	**2020 Reported results**	2019 Core results	2019 Exceptional items and other adjustments (Note 5)	2019 Reported results
	$m	**$m**	**$m**	$m	$m	$m
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**408**	**23**	**431**	364	122	486

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 period after deducting shares held by the Employee Benefit Trust (EBT) and Treasury shares. The trustees have waived their rights to dividends on the shares held by the EBT, and Treasury shares have no right to receive dividends.

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

	2020 Number m	2019 Number m
Number of shares		
Weighted average number of Ordinary Shares for the purposes of basic EPS[1]	**236**	242
Effect of dilutive potential Ordinary Shares:		
Share-based awards	**2**	1
Weighted average number of Ordinary Shares for the purposes of diluted EPS	**238**	243

[1] Weighted average number of ordinary shares has been calculated by the weighted average number of shares in issue during the period after deducting shares held by the EBT and Treasury shares (Note 14)

	2020 Core EPS Cents	**2020 Reported EPS Cents**	2019 Core EPS Cents	2019 Reported EPS Cents
Basic	**172.9**	**182.6**	150.4	200.8
Diluted	**171.4**	**181.1**	149.8	200.0

9. Goodwill and other intangible assets

The changes in the carrying value of goodwill and other intangible assets for the years ended 31 December 2020 and 31 December 2019 are as follows:

	Goodwill	**Product-related intangibles**	**Software**	**Other identified intangibles**	**Total**
	$m	**$m**	**$m**	**$m**	**$m**
Cost					
Balance at 1 January 2019	687	1,015	130	130	1,962
Additions	-	17	18	54	89
Translation adjustments	3	1	(1)	-	3
Balance at 1 January 2020	**690**	**1,033**	**147**	**184**	**2,054**
Additions	-	8	12	16	36
Disposals	-	-	(14)	-	(14)
Translation adjustments	7	-	-	5	12
Balance at 31 December 2020	**697**	**1,041**	**145**	**205**	**2,088**
Accumulated Amortisation & Impairment					
Balance at 1 January 2019	(408)	(658)	(66)	(64)	(1,196)
Charge for the year	-	(21)	(10)	(13)	(44)
Impairment reversal	-	21	-	-	21
Impairment charge	-	(2)	(1)	-	(3)
Translation adjustments	-	-	2	-	2
Balance at 1 January 2020	**(408)**	**(660)**	**(75)**	**(77)**	**(1,220)**
Charge for the year	-	(29)	(10)	(14)	(53)
Disposals	-	-	14	-	14
Impairment reversal	-	66	-	-	66
Impairment charge	-	(5)	(10)	-	(15)
Translation adjustments	-	(1)	-	(3)	(4)
Balance at 31 December 2020	**(408)**	**(629)**	**(81)**	**(94)**	**(1,212)**
Carrying amount					
At 31 December 2020	**289**	**412**	**64**	**111**	**876**
At 31 December 2019	282	373	72	107	834

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Goodwill

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

	As at 31 December	
	2020	2019
	$m	$m
Branded	**173**	168
Injectables	**116**	114
Total	**289**	282

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.

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

Valuation basis	Value in use (VIU)				
Key assumptions	Sales growth rates, informed by pricing and volume assumptions Profit margins and profit margin growth rates for marketed and pipeline products Expected launch dates for pipeline products Terminal growth rates Discount rates				
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information, informed by historical experience and management's best estimates of the future Margins reflect past experience, adjusted for expected changes in the future Terminal growth rates are based on the Group's experience in its markets Discount rates for CGU are derived from specific regions/countries, risk adjusted where appropriate				
Period of specific projected cash flows	5 years, to which a terminal growth rate is then applied				
Terminal growth rate and discount rate		Terminal growth rate (perpetuity)		Pre-tax discount rate	
		2020	2019	**2020**	2019
	Branded	**2.4%**	2.8%	**16.6%**	18.0%
	Injectables	**2.1%**	1.9%	**11.1%**	13.0%
	Generics	**2.3%**	1.6%	**12.7%**	15.0%
	generic Advair Diskus®	**-**[1]	-[1]	**13.7%**	17.7%

[1] generic Advair Diskus® is expected to have a useful life of 11 years, as the asset is not in use, it is not currently being amortised

CGUs: The Group performed its annual goodwill and CGU impairment for the Branded, Injectables, Generics and generic Advair Diskus® CGUs. The Group's model is a VIU model based on the discounted value of the best estimates of the key assumptions to arrive at the recoverable value. This value is then compared to the carrying value of the CGU to determine whether an impairment is required. In addition, the Group models sensitivities on the VIU amounts calculated to determine whether reasonable changes in key assumptions could lead to a potential impairment. If such reasonable changes results in an impairment, then in accordance with IAS36 these are disclosed below. For the Branded, Injectables and Generics CGUs the Group has determined that sufficient headroom[2] still exists under reasonable change scenarios. Specifically, an evaluation of the CGUs was made assuming an increase of 2% in the discount rate, or a 10% decline in the projected cash flows, or a 5% decline in the projected cash flows in the terminal year, or reducing the terminal growth rate by 2% 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 generic Advair Diskus® VIU was calculated using a probability weighted average of three scenarios.

In December 2020, the Group received FDA approval of generic Advair Diskus®. Launch has been temporarily paused while the FDA reviews an amendment to the application, classified as a Prior Approval Supplement (PAS). The PAS does not affect the status of the Abbreviated New Drug Application (ANDA) for generic Advair Diskus® The amendment reflects enhanced packaging controls to meet new industry standards adopted since the initial submission of the ANDA application.

As of 31 December 2020, the Group performed sensitivity analysis over the valuation of the generic Advair Diskus® CGU. The sensitivity analysis assumed a further delay of three months to the projected launch date and a 15% reduction in the projected cash flows from lower conversion rates from the branded product and earlier competitor entries, which assumptions eroded the $26m of headroom. A further reduction of the cash flows by an additional 10% would imply an impairment of about $10m. As per the Group's policy, whilst approval has been obtained, generic Advair Diskus® has not been launched, meaning that none of the previously identified indicators of impairment have reversed.

As at 31 December 2020, the Group had entered into contractual commitments for the acquisition of intangible assets of $nil million (2019: $5 million).

[2] Headroom is defined as the excess of the value in use, 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 $170 million (2019: $182 million) mainly relating to generic Advair Diskus® of $138 million and Generics of $25 million CGUs with immaterial amounts allocated to the Branded and Injectables CGUs. 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 $4 million (2019: $2 million).

Product rights

Whenever impairment indicators are identified for definite life intangible assets, Hikma reconsiders the asset's estimated life, 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 pre-tax WACC rate that reflects the risk factors associated with the cash flows and the CGUs under which these products sit. The more significant estimates and assumptions inherent in the estimate of the value in use of identifiable intangible assets include all assumptions associated with forecasting product profitability. 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 2020, the result of this testing was an impairment charge of $1 million (2019: $nil) and an impairment reversal of $66 million (2019: $21 million) related to specific product related assets (Generics segment) due to improved performance and forecasted profitability, as a result of events including, but not limited to, improved commercial terms, favorable market conditions and the speed of regulatory approvals.

A net reversal of $62 million was considered as an exceptional item related to product related intangibles acquired through a business combination (Note 5).

Software

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

In 2020, the Group recorded an impairment charge of $10 million related to software (2019: $1 million)

Other identified intangibles

The Group has performed an impairment indicators on other identified intangibles and did not identify any issues.

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) and Promopharm with estimated useful lives of ten years.

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

10. Trade and other receivables

	As at 31 December	
	2020	2019
	$m	$m
Trade receivables	**662**	637
Prepayments	**58**	49
VAT and sales tax recoverable	**35**	31
Employee advances	**1**	2
	756	719

The fair value of receivables is estimated to be equal to the carrying amounts.

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

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

[1] Includes additions of $5 million and release of $2 million

At 31 December 2020, the provision balance relating to chargebacks was $184 million (2019: $179 million) within what management believes is a reasonable range for the provision of $181 million to $185 million. The key inputs and assumptions included in calculating this provision are estimations of 'in channel' inventory at the wholesalers (including processing lag) of 40 days (2019: 38 days) and the estimated chargeback rates as informed by average historical chargeback credits adjusted for expected chargeback levels for new products and estimated future sales trends. Based on the conditions existing at the balance sheet date an increase/decrease in the estimate of in channel inventory by 1 day increases/ decreases the provision by $5million and if the overall chargeback rate of 55% increases/decreases by one percentage point the provision would increase/decrease by $3 million.

At 31 December 2020 the provision balance relating to customer rebates was $57 million (2019: $88 million) within what management believes is a reasonable range for the provision of $55 million to $57 million. The key inputs and assumptions included in calculating this provision are historical relationships of rebates and payments to revenue, past payment experience, estimate of 'in channel' inventory at the wholesalers and estimated future trends. Based on the conditions existing at the balance sheet date, a

one percentage point increase/decrease in the rebates rate of 7.8% would increase/decrease this provision by approximately $7 million.

11. Short-term financial debts

	As at 31 December	
	2020	2019
	$m	$m
Bank overdrafts	**3**	6
Import and export financing	**67**	52
Short-term loans	**47**	2
Current portion of long-term loans (Note 12) [1]	**41**	509
	158	569

[1] At April 2020, the Group settled a $500 million five-year Eurobond that was issued in 2015. The Group used the revolving credit facility (refer to Note 12) to settle the outstanding Eurobond

	2020	2019
	%	%
The weighted average effective interest rates paid are as follows:		
Bank overdrafts	**4.25**	5.35
Bank loans (including the non-current bank loans)	**3.04**	5.82
Eurobond[2]	**4.17**	4.25
Import and export financing [3]	**5.70**	6.17

[2] In 2020, the Eurobond effective interest comprised the 4.25% 2015 $500 million Eurobond settled in April 2020, and the 3.25% $500 million Eurobond issued in July. Noting that the Eurobond effective interest rate includes unwinding of discount amount and upfront fees

[3] Import and export financing represents short-term financing for the ordinary trading activities of the Group

12.Long-term financial debts

	As at 31 December	
	2020	2019
	$m	$m
Long-term loans	**242**	57
Long-term borrowings (Eurobond)	**491**	500
Less: current portion of long-term loans (Note 11)	**(41)**	(509)
Long-term financial loans	**692**	48
Breakdown by maturity:		
Within one year	**41**	509
In the second year	**48**	12
In the third year	**44**	12
In the fourth year	**36**	15
In the fifth year	**522**	6
In the sixth year	**21**	2
Thereafter	**21**	1
	733	557
Breakdown by currency:		
US dollar	**642**	508
Euro	**54**	16
Jordanian dinar	**13**	12
Algerian dinar	**14**	20
Saudi riyal	**9**	-
Tunisian dinar	**1**	1
	733	557

The loans are held at amortised cost.

Long-term loans amounting to $1 million (31 December 2019: $1 million) are secured on certain property, plant and equipment.

Major arrangements entered by the Group during the year were:

a) A syndicated revolving credit facility of $1,175 million was entered into on 27 October 2015. From the $1,175 million, $175 million matured on 24 December 2019, $130 million mature in January 2021 and the remaining $870 million was renewed until December 2023. At 31 December 2020 the facility has an outstanding balance of $nil (2019: $nil) and a $1,000 million unused available limit (2019: $1,000 million). The facility can be used for general corporate purposes

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

c) At April 2020, the Group settled a $500 million five-year Eurobond that was issued in 2015

d) Hikma issued a $500 million (carrying value of $491 million, and fair value of $521 million) 3.25%, five-year Eurobond on 9 July 2020 with a rating of (BBB-/Ba1) which is due in July 2025. The proceeds of the issuance were $494 million which were used for general corporate purposes

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

At 31 December 2020, there were two covenants in place on the Group's revolving and banking facilities with which the Group was in compliance. The Group also expects to be in compliance in the future.

13. Net cash generated from operating activities

	2020 $m	2019 $m
Profit before tax	**558**	491
Adjustments for:		
Depreciation, amortisation, impairment, and write-down of:		
Property, plant and equipment	**77**	64
Intangible assets	**2**	26
Right of Use of Assets	**12**	9
Gain from investment at FVTPL	**(1)**	(2)
Loss from investment divestiture	**-**	4
Loss on disposal/damage of property, plant and equipment	**2**	3
Movement on provisions	**4**	-
Cost of equity-settled employee share scheme	**27**	24
Finance income	**(47)**	(66)
Interest and bank charges	**69**	67
Foreign exchange loss and net monetary hyperinflation impact	**30**	4
Cash flow before working capital	**733**	624
Change in trade and other receivables	**(47)**	21
Change in other current assets	**(14)**	(2)
Change in inventories	**(180)**	(25)
Change in trade and other payables	**6**	(6)
Change in other current liabilities	**41**	50
Change in other non-current liabilities	**(14)**	(82)
Cash generated from operations	**525**	580

14. Share capital

Issued and fully paid – included in shareholders' equity:

	2020		2019	
	Number	**$m**	Number	$m
At 31 December	**243,332,180**	**41**	242,319,174	41

At 31 December 2020, of the issued share capital, 12,833,233 are held as Treasury shares, 40,831 shares are held in the Employee Benefit Trust (EBT) and 230,458,116 shares are in free issue.

Own Shares

Treasury Shares

On 23 June 2020, Hikma bought back 12,833,233 of its own shares previously held by Boehringer Ingelheim GmbH (BI) for £23.00/share ($28.76/share). These shares are held as 'treasury shares'. The voting rights attached to the treasury shares are not capable of exercise. Hikma also received a commitment fee of 2% of the aggregate value of the buyback shares acquired at the buyback price from BI. Hikma paid £295 million ($369 million) for the share buyback and received £5.9 million ($7.3 million) from BI for the commitment fees. Hikma also incurred $6 million of transaction costs related to legal fees, financial advisory fees and UK stamp duty bringing the total book value to $368 million, the market value at 31 December 2020 was $442 million. The buyback and related transaction costs and commitment fee were accounted for as equity transactions.

Shares held in EBT
EBT of Hikma holds 40,831 (2019: 40,831) Ordinary Shares in the Company. The trustee of the EBT is Apex Financial Services (Trust Company) Limited an independent trustee. The market value of the Ordinary Shares held in the EBT at 31 December 2020 was $1 million (2019: $1 million). The book value of the retained own shares at 31 December 2020 are $0.6 million (2019: $0.6 million). The Ordinary Shares held in the EBT will be used to satisfy long-term commitments arising from the employee share plans operated by the Company.

15. Contingent liabilities

Guarantees and letters of credit
A contingent liability existed at the balance sheet date in respect of external guarantees and letters of credit totalling $41 million (31 December 2019 :$40 million) arising in the normal course of business. No provision for these liabilities has been made in these consolidated financial statements.

A contingent liability existed at the balance sheet date for a standby letter of credit totalling $8 million (2019: $9 million) for potential stamp duty obligation that may arise for repayment of a loan by intercompany guarantors. It's not probable that the repayment will be made by the intercompany guarantors.

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

Most of the claims involve highly complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of a loss, if any, being sustained and/or an estimate of the amount of any loss is difficult to ascertain. It is the Group's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. Unless specifically identified below that a provision has been taken, the Group does not believe sufficient evidence exists at this point to make any provision.

— In 2018, the Group received a civil investigative demand from the US Department of Justice requesting information related to products, pricing and related communications. In 2017, the Group received a subpoena from a US state attorney general and a subpoena from the US Department of Justice. Hikma denies having engaged in any conduct that would give rise to liability with respect to these demands but is cooperating with all such demands. Management does not believe sufficient evidence exists at this point to make any provision for this currently.

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

— Starting in June 2020, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of Xyrem® against Hikma and other defendants. These complaints allege that the Jazz Pharmaceuticals PLC and its subsidiaries

entered into unlawful reverse payment agreements with each of the defendants, including Hikma, in settling patent infringement litigation over Xyrem®. The plaintiffs in these lawsuits seek treble damages and a permanent injunction. Hikma denies having engaged in conduct that would give rise to liability with respect to these lawsuits and is vigorously pursuing defence of these cases. Management does not believe sufficient evidence exists at this point to make any provision for this currently.

— Numerous complaints have been filed with respect to Hikma's sales and distribution of opioid products. Those complaints now total approximately 661 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. Most of the federal cases have been consolidated into a multidistrict litigation in the Northern District of Ohio. These cases assert in general that the defendants allegedly engaged in improper marketing and distribution of opioids and that defendants failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent the abuse and diversion of such products. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. Hikma denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defense of these cases. Management does not believe sufficient evidence exists at this point to make any provision for this currently.

— In October 2020, Hikma received a voluntary request for information from the US Federal Trade Commission requesting information related to its investigation into whether Amarin Pharma, Inc. has engaged in, or is engaging in, anticompetitive practices or unfair methods of competition relating to the drug Vascepa®. In October 2020, Hikma also received a subpoena duces tecum from the State of New York, Office of the Attorney General, seeking information relevant and material to an investigation related to Amarin Pharma, Inc. Hikma is cooperating with all such demands.

— In March 2020, Hikma entered into an agreement settling a patent litigation between it and Micro Labs USA Inc. Hikma initiated the lawsuit against Micro Labs in the U.S. District Court for the District of Delaware after Micro Labs submitted a Paragraph IV Notice Letter advising that it has submitted an Abbreviated New Drug Application to the U.S. Food and Drug Administration seeking authorization from the FDA to manufacture, use or sell a generic version of Mitigare® colchicine 0.6 mg capsules in the United States. The specific terms of the settlement agreement are confidential.

Tax

On 25 April 2019, the European Commission released its decision that certain tax exemptions offered by the UK authorities could constitute State Aid and where this is the case, the relevant tax will need to be paid to the UK tax authorities. The UK Government has subsequently appealed against this decision. In common with other UK headquartered international companies whose arrangements were in line with current UK CFC legislation, Hikma may be affected by the outcome of this decision and has estimated the maximum potential liability to be approximately $2.4 million. Hikma has also filed it's own appeal at the CJEU and is in correspondence with HMRC. To data, based on management's understanding of legislation and professional advice taken on the matter, management does not believe that a provision is warranted.