Better health.
Within reach.
Every day.

hikma.

Annual Report 2022

Hikma puts better health within reach every day. By creating high-quality products and making them accessible to those who need them, we are helping to shape a healthier world that enriches all our communities.

Discover how our purpose drives everything we do on page 6

Front cover image

Nuno Lopes is based at our Portugal facility and joined Hikma in April 2021 as a warehouse technician. Nuno was part of the initial team at Hikma Portugal's new and largest centralised warehouse and is one of eight employees supporting its operations.

Strategic report

Corporate governance

Financial statements

Shareholder information

Financial highlights

Revenue

$2,517m

(1)% 2021: $2,553m

Operating profit

$282m

(52)% 2021: $582m

Core[1] operating profit

$596m

(6)% 2021: $632m

Profit to shareholders

$188m

(55)% 2021: $421m

Core profit to shareholders

$406m

(10)% 2021: $450m

Basic earnings per share

83.9c

(54)% 2021: 182.3c

Core basic earnings per share[2]

181.3c

(7)% 2021: 194.8c

Dividend per share

56c

4% 2021: 54c

Non-financial highlights

Value of our donated medicines

$4.3m

Reduction in our Scope 1 and 2 GHG emissions since 2020[3]

15%

For more information visit
www.hikma.com

1. Core results are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 6 of the Group consolidated financial statements. A reconciliation from core to reported operating profit is included within the consolidated income statement in the financial statements
2. Core basic earnings per share is reconciled to basic earnings per share in Note 15 of the Group consolidated financial statements
3. We have committed to reducing Scope 1 and Scope 2 greenhouse gas emissions by 25% by 2030, using a 2020 baseline year. See page 46 for further details

What we do

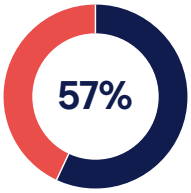
We bring patients across North America, MENA and Europe a broad range of generic, specialty and branded pharmaceutical products.

Our markets

US

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

Group core revenue

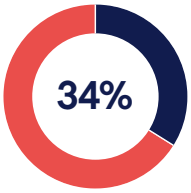


c.2,000
Employees

MENA

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

Group core revenue

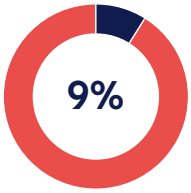


c.5,600
Employees

Europe and Rest of World (ROW)

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

Group core revenue



c.1,200
Employees

Employees
c.8,800

Manufacturing plants
32

R&D centres
8

Products
760+

Our business segments

Injectables

We supply hospitals across our markets with generic injectable products, supported by our manufacturing facilities in the US, Europe and MENA.

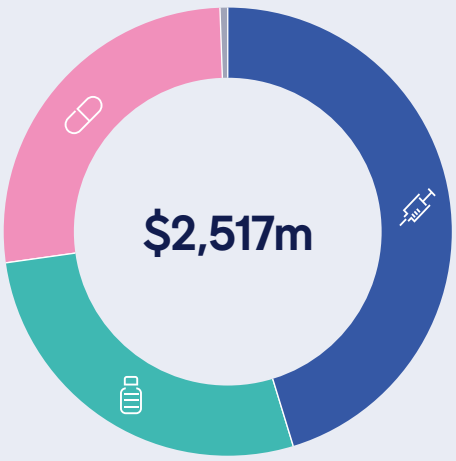
Branded

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

Generics

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

Segmental revenue



Injectables
$1,141m
2021: $1,053m

Branded
$691m
2021: $669m

Generics
$672m
2021: $820m

Other
$13m
2021: $11m

Executive Chairman and Chief Executive Officer's statement

Our diversified business model enabled a resilient core performance in 2022 as we continued to deliver on our purpose."

Increasing access to medicines

Hikma was founded 45 years ago to increase access to affordable medicines.

Our vision, *'to shape a healthier world that enriches all our communities'*, acts as our guide, while our purpose, *'putting better health within reach, every day'*, is our reason for existing. As Hikma develops and grows, we strive to deliver on our vision and purpose to have a positive impact on the world by making medicines more accessible and more affordable.

Financial performance

The Group saw a slight revenue decline of 1% versus 2021, with a reduction in core operating profit of 6%. At a divisional level, we saw a variation in performance with the effect of severe industry-wide competitive pressures in Generics partially offset by good growth from our larger Injectables and Branded businesses. On a reported basis, Group operating profit declined 52%, primarily related to impairments in the Generics business. For more information, please refer to page 31 of this report.

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

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

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

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

Strategic progress

Our strategy, based on the three pillars outlined on pages 8 and 9 of this report, supports Hikma's position as a global generics pharmaceutical company with a growing, differentiated product portfolio and a leading position in our key markets.

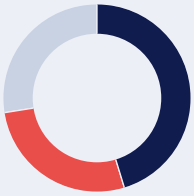
Injectables is delivering more from its strong foundation by focusing on optimising our global operational footprint to increase flexibility and efficiency. This means sharing our engineering expertise across our plants, leveraging our ability to supply our markets from across our operational base, and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

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

Branded has benefitted from our strong local presence and the tiering structure we introduced in 2018, where we focus on our markets with the highest value and opportunity for growth. We saw good progress in most markets in 2022 and our flexible and local manufacturing facilities and broad portfolio allowed us to be nimble and adapt quickly to evolving demand. I was delighted when we became the third largest pharmaceutical company in MENA in 2022[1] – up from the fourth largest in 2021 and our ambition is to keep growing. We are focusing our R&D on specialty and chronic disease areas, and continue to value the importance of partnerships, as well as selling our own products.

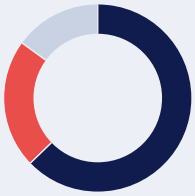
1. IQVIA Midas MAT September 2022 for Algeria, Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Tunisia, UAE. US dollar sales.

Revenue – 2022



Injectables	45% ($1,141m)
Branded	27% ($691m)
Generics	27% ($672m)
Total	**$2,517m**

Core operating profit – 2022[1]



Injectables	63%
Branded	22%
Generics	15%

1. Core operating profit is $596 million. Before unallocated corporate costs of $84 million and operating profit from Other business of $3 million, core operating profit contribution from business segments is $677 million

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

Financial returns

We generated good cashflow in 2022, which has enabled a final dividend of 37 cents per share. Combined with the interim dividend of 19 cents per share, this represents a 4% increase in the total dividend for 2022. While our financial performance in 2022 lagged our longer-term track record, we are confident in our return to growth in 2023 supported by recent launches and good momentum in all our businesses.

Acting responsibly

We have identified four focus areas that guide our approach to sustainability: advancing health and wellbeing; empowering our people; protecting the environment; and building trust through quality in everything we do.

For our customers and their patients, we help to advance health and wellbeing by launching new products, such as oral oncology products in Algeria which are bringing new treatment options, and ensuring availability of existing treatments. We work closely with hospitals, pharmacies and buying groups across our markets to ensure their needs are met.

We also engage with our communities, a practice which is ingrained in how Hikma does business across its locations and you can read much more on the projects we undertake and the impact we have on pages 42 and 43 of this report.

We are all too aware of the threat of climate change and we are making good progress towards achieving our target of reducing Scope 1 and 2 emissions by 25% by 2030. We are also focusing on better understanding our Scope 3 emissions, so that we can begin to make improvements in this important area. You can read more about our environmental progress and how this links to remuneration on pages 46 and 96 of this report.

The strategic bedrock to all three of the businesses is our people. Culture has been an important focus for us since inception. Throughout the year, I have enjoyed visiting our sites around the world and seeing how our culture of progress and belonging is embodied in how our people are living our values: innovative, caring and collaborative. What does this mean in practice? Pages 6 and 7 of this report gives examples of how these values directly translate into our purpose. Culture is forged in our history. Many of our staff have been with us for decades, and this corporate memory can be passed on to our newer recruits. We are one global company united by a simple vision and this has been the case since the business was founded 45 years ago.

Our culture also results in a quality mindset. In this industry, failures in quality systems can put lives at risk. We care greatly about what we do, demonstrated by the relentless focus on quality at our plants, whether it be through the number of quality professionals, the high levels of automation in the plants, or the rigorous levels of testing that our finished products go through. Our facilities are maintained as ready for regulator inspection. We also have a global pharmacovigilance programme in place to continually monitor the safety of our products.

Governance and leadership

I have enjoyed stepping back temporarily into the CEO role following the departure of Siggi Olafsson in mid-2022. Siggi played an important role in Hikma's strategic advancements in recent years and I would again like to thank him and wish him well for the future. The search for a new CEO is ongoing and an update will be provided when an appointment is made.

We have a strong independent Board, and I was delighted to welcome three female Non-Executive Directors in 2022, each of whom will bring fresh thinking and leadership to Hikma.

Looking forward

I am confident and very excited about Hikma's future.

We have a strategy that will drive growth and, most importantly, a strategy that will keep bringing access to critical medicines to the people who need them most. We have a strong foundation, and while we have faced some industry headwinds in the US, Hikma's diversified business has provided a level of resilience. The portfolio continues to grow and become more specialised. Our people are the living embodiment of our culture and I am always amazed by the commitment to getting the job done.

I look forward to keeping you updated on our progress.

Said Darwazah
Executive Chairman and Chief Executive Officer

How our values enable us to increase access to medicines

We are collaborative

Our vision is of a healthier world that enriches all our communities. It is important that we ensure healthcare professionals (HCPs) have the support and tools they need to care for their patients. In MENA, specialist teams meet and collaborate with doctors, clinicians and pharmacists regularly to improve disease awareness, healthcare standards and access to quality medical care in the region.

In 2022, we launched Hiyat Hilweh, a new disease awareness campaign in Arabic to reach HCPs and patients in MENA. Through this platform we are able to raise awareness and share knowledge and experiences about the most prevalent chronic lifestyle diseases in the region, while also promoting tips to alleviate the burden of these diseases on our communities and improve patient quality of life.

We are innovative

Our business was founded on thinking innovatively and this is as relevant today as it was then, particularly in this fast-changing world. To continue growing and delivering on our purpose of putting better health within reach, every day, we need to turn new ideas into real actions that drive change.

Our new 503B compounding business is a great example of how we used our decades of expertise in manufacturing sterile injectables to provide hospitals with the medicines they need. Sterile compounding is the process of combining, mixing, or altering ingredients to create medications in ready-to-administer formats tailored to the needs of healthcare providers. It is an important specialised approach to drug manufacturing that serves a critical role in patient care.

In late 2020, we acquired a facility in Dayton, New Jersey, with the objective of creating a state-of-the -art sterile compounding facility that not only meets but exceeds US-FDA requirements in this industry. Since then, our engineering and quality teams applied their knowledge of sterile injectable manufacturing to develop a dedicated site for sterile compounding that is FDA-compliant and scaled to improve productivity and quality control. As a result, Hikma's 503B compounding business is uniquely positioned to bring pharmaceutical manufacturing standards to an industry that has faced quality issues in the past, helping to meet a growing need within the US healthcare system.

We are caring

We have a duty of care towards our customers, patients and communities around the world. Since inception, we have been dedicated to transforming people's lives by providing the medicine and support they need every day.

We have a medicine donation programme to support people and communities that are struggling to access the medicines they need. This year, we took urgent action to help patients impacted by the war in Ukraine. Our teams acted quickly when they learned that two children, Nikita and Camilla, were in need of our Everolimus 5mg medicine. Everolimus can be used to treat tuberous sclerosis complex, a rare genetic disease that causes benign tumours to grow in certain parts of the body. We manufacture this product in our high containment facility in Columbus, Ohio. Through our partnership with Direct Relief, we donated quantities of Everolimus and other medicines to meet the needs of these children and the people of Ukraine.

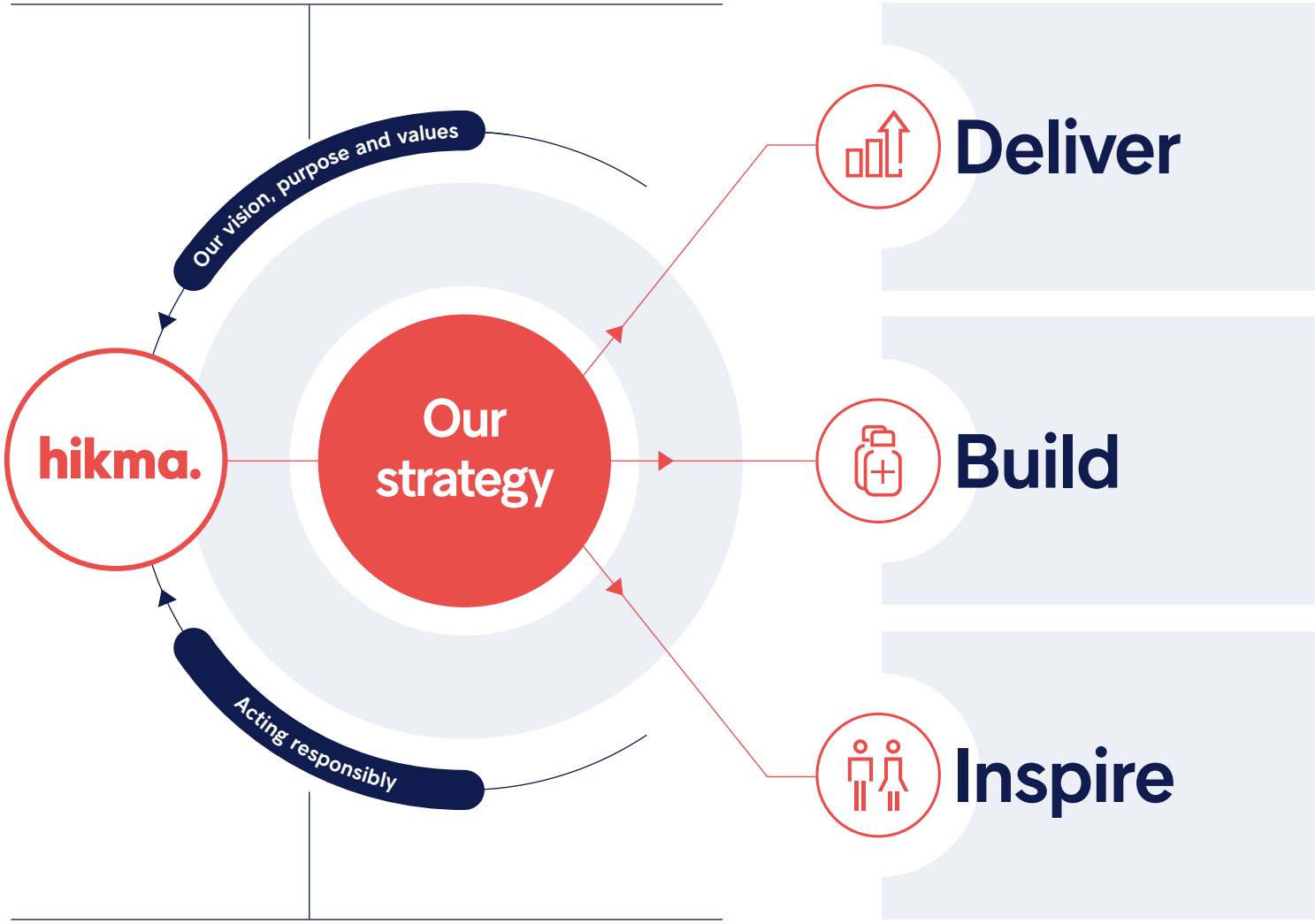
Our strategy

Together we are building a leading generics and specialty pharmaceutical company where everyone can thrive.

Our vision
To shape a healthier world that enriches all our communities

Our purpose
To help put better health within reach, every day

Our values
Innovative, caring and collaborative



Advancing health and wellbeing

Empowering our people

Protecting the environment

Building trust through quality in everything we do

Our three strategic pillars	Our approach	KPIs
Deliver more from a strong foundation	– Enhance and expand manufacturing capabilities and capacity – Maintain our unwavering commitment to quality – Improve operations and processes to increase efficiency and responsiveness – Build customer relationships	– Core revenue – Core operating profit – Return on invested capital
Build a portfolio that anticipates future health needs	– Build a portfolio of more differentiated, higher barrier to entry products – Address health needs in our local markets – Partner to bring innovative products to market	– Core revenue from new products launched
Inspire and enable our people	– Build a strong culture of progress and belonging that attracts and retains talented employees – Empower our people by promoting diversity, equity and inclusion	– Employee enablement – Employee engagement

Find out more about our key performance indicators on page 14

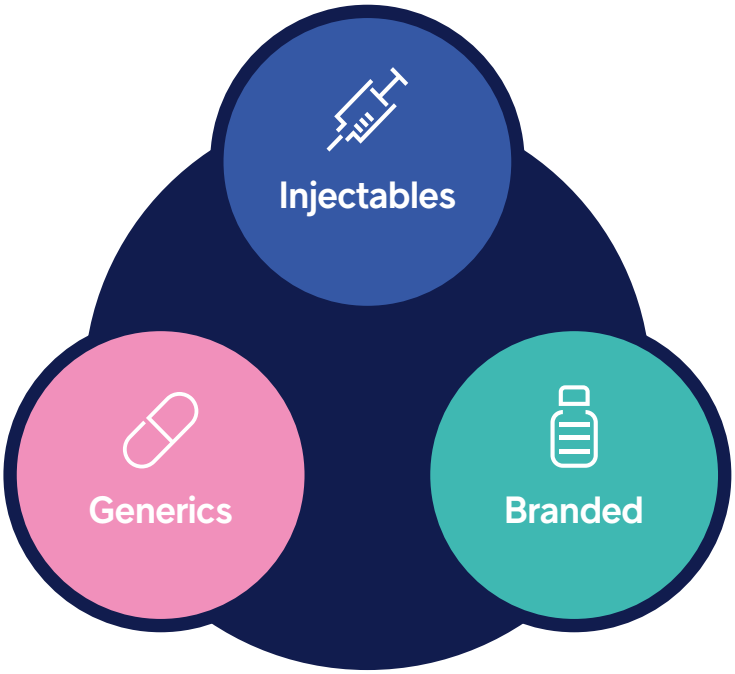
Find out more about our risks on page 60

Our business model

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

Better health within reach every day

Our business segments



Our resources

Financial

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

People

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

Values

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

Relationships

Strong relationships with regulators, customers and health authorities across all our markets, and successful collaborations with industry partners, enable us to deliver on our purpose.

Capabilities

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

What we do

Offer a broad product portfolio

We offer a broad and differentiated portfolio of more than 760 products. It includes high-quality generic and branded generic medicines, and a growing number of in-licensed, specialty and compounded products.

Market across geographies

We distribute our products through experienced sales and marketing teams. In the MENA region, around 2,000 representatives and support staff market our brands to doctors and pharmacists, while our sales teams in the US and Europe sell to wholesalers, pharmacy chains, governments and hospital purchasing organisations.

Develop and innovate

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

Manufacture and maintain quality

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

The value we create

Patient benefits

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

760+

Products

Employee enablement

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

8

Average training hours annually per employee

Shareholder returns

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

196%

Total shareholder return over last ten years

Sustainable business

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

11

Local manufacturing capabilities in 11 countries, ensuring reliability and security of supply

Find out more about our key performance indicators on page 14

Investment case

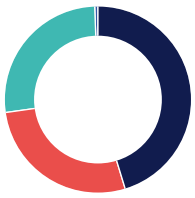
A strong business model with significant opportunities to further enhance our portfolio, to drive growth and deliver value for shareholders.

Solid platform for growth

- Broad portfolio of over 760 high-quality products across three businesses
- Agile supply chain, flexible manufacturing and leading technical capabilities
- Leading supplier of both generic injectable and non-injectable products in the US, the largest pharmaceutical market globally
- Leading market position in MENA (3rd largest pharmaceutical company by sales) and a growing presence in Europe
- Trusted partner known for our commitment to quality and reliability of supply

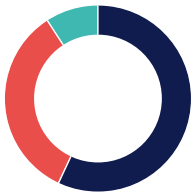
Revenue by segment

Injectables	$1,141m
Branded	$691m
Generics	$672m
Other	$13m



Revenue by region

US	57%
MENA	34%
Europe & ROW	9%



Increasingly diverse portfolio and pipeline

- Growing presence in specialty and complex products, which offer less competition and more potential for further margin growth
- Developing portfolio of biosimilars for the US and MENA markets
- Focus on higher-value therapeutic areas such as cardiovascular, central nervous system (CNS) and oncology
- Continued investment in R&D, new partnerships, strategic acquisitions and geographic expansion into certain markets

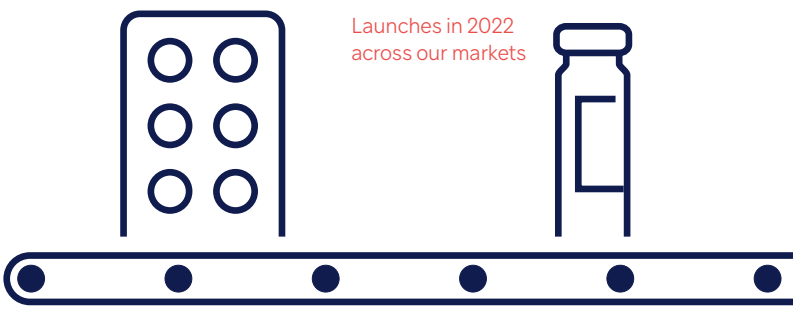
8
R&D centres

6%
R&D spend as % of revenue

200+
Projects in our pipeline

20+
Products added through business development

182
Launches in 2022 across our markets



1. EBITDA is earnings before interest, tax, depreciation, amortisation, assets write-down, impairment charges/reversals and unwinding of acquisition related inventory step-up. Core EBITDA is adjusted for exceptional items. EBITDA is a non-IFRS measure, see page 34 for a reconciliation to reported IFRS results
2. Total shareholder return (TSR) is the performance of Hikma shares including dividends paid

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

- Good cash flow generation, with $530 million operating cash flow in 2022 and low leverage of 1.5x net debt/core EBITDA[1]
- Disciplined approach to cash management and acquisitions
- Strong balance sheet that provides financial flexibility to support future growth

$530m
Operating cash flow

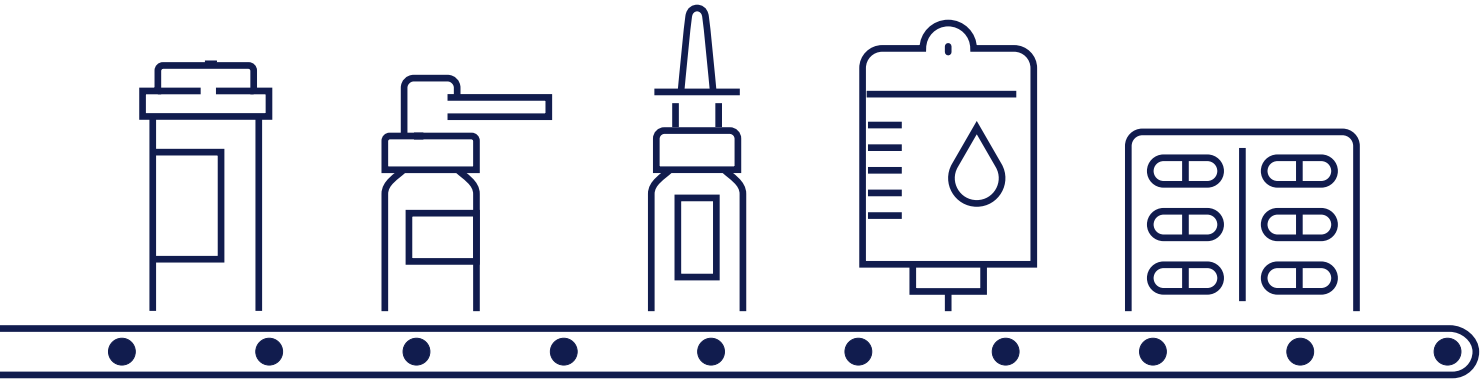
21%
Operating cash flow / revenue

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

- Group revenue compound annual growth rate (CAGR) of 5% and core EBITDA[1] CAGR of 8% since 2017
- TSR[2] of 196% over the last ten years
- Progressively increasing dividend

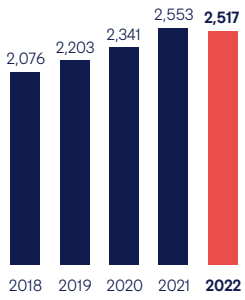
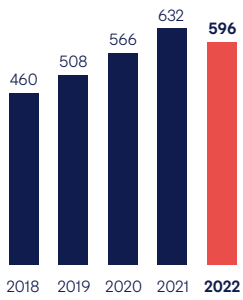
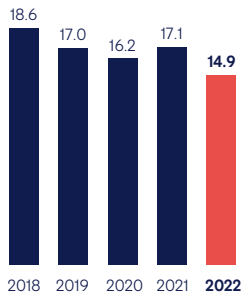
5%
Group revenue growth at a five-year CAGR

196%
TSR over the last ten years



Our progress

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

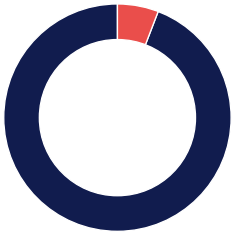
Strategic priority	Deliver more from a strong foundation		
KPI	**Core[1] revenue** ($m) **$2,517m**  	**Core[1] operating profit** ($m) **$596m**  	**Return on invested capital[3]** (%) **14.9%** 
Description	Total annual core revenue generated across all businesses	Core operating profit	Core operating profit after tax divided by invested capital (calculated as total equity plus net debt[4])
Why is it a KPI?	This measures our ability to maximise value from our current product portfolio across our global markets and generate revenue from new launches	This measures our ability to grow revenue and maintain quality while delivering efficiencies and ensuring cost control	This measures our efficiency in allocating capital to businesses and projects
2022 performance	Group core revenue down by 1% reflecting strong performance from Injectables and Branded businesses, which helped offset a decline in Generics	The decrease in core operating profit was driven by lower profits in Generics, partially offset by good performance in Injectables and Branded	The decrease in return on invested capital reflects the reduction in core operating profit driven by lower Generics profitability and higher debt due to recent acquisitions
Link to remuneration	R	R[2]	R

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

Build a portfolio that anticipates future needs

Core revenue from new product launches
(%)

6%



Percentage of core revenue contribution from products launched in 2022 and the second half of 2021

This measures our ability to extract value from our global product pipeline

In 2022, revenue from new launches was 6% of Group core revenue, down from 9% in 2021. The decrease reflects a lower contribution from Generics new launches compared to the previous period, where we had an exceptionally high contribution. We achieved good contribution from Injectable and Branded launches

Inspire and enable our people

Employee enablement
(%)

64%

2020 score*

Global employee enablement score

This measures whether people find their work fulfilling and rewarding and whether they feel supported to achieve their full potential

Employee engagement
(%)

73%

2020 score*

Global employee engagement score

This measures people's pride in working for Hikma, their willingness to recommend Hikma as an employer and their desire to stay long term

* Hikma aims to run a global employee survey every two years. The last full employee survey was run in 2020. In 2021, we conducted an accountability index survey to measure the visibility of management action to address areas identified in the last all-employee survey. It showed an 18 point improvement in the accountability index score when compared to 2020. In 2022 we took the decision to delay the scheduled all-employee survey until 2023. As such, we are reporting the enablement and engagement percentages from 2020. To find out more about our engagement and enablement activities for our employees, refer to the stakeholder engagement on page 19 and empowering our people on page 44

Our markets

Understanding global healthcare in an evolving world.

Global pharmaceutical outlook

Social, economic and political dynamics are changing rapidly, shaping the pharmaceutical market today and the outlook for the future. The effects of the COVID-19 pandemic are still being felt, with resultant macroeconomic instability and uncertainty, but one constant is the ongoing and growing need for healthcare, driven by long-term demographic trends and changing lifestyles. The global pharmaceutical market is expected to reach $1.8 trillion in 2026, growing at a CAGR between 3% and 6%[1].

Where we operate

Our commitment to our vision of shaping a healthier world is as important as ever to the millions of people we serve. We operate across three geographies – North America, Middle East and North Africa (MENA) and Europe.

The US is our largest market. It is the largest generics market in the world[2] and is expected to continue growing[1]. Patent expiries of branded drugs and government's focus on increasing access to more affordable healthcare will drive an increase in generic uptake. In the US, generics and biosimilars represent 91% of prescriptions filled and account for only 18% of prescription drug spending[3].

MENA is our second largest region. While it is a very complex operating environment, being highly fragmented with different regulatory procedures, we are experienced in navigating these complexities and delivering growth.

The MENA pharmaceutical market provides a lot of potential, which is expected to be driven by a rapidly growing population and an increase in prevalence of lifestyle diseases, with diabetes, cancer and cardiovascular diseases on the rise in the region[4]. As demand increases, generic medicines share is expected to grow as governments will increasingly focus on ways to improve access to healthcare[4], including looking for more affordable medicines.

In Europe, where we are gradually growing our presence and entering new markets, there is an increase in demand for generic medicines, particularly as governments look to maintain more sustainable healthcare budgets. Generic products make up around 70% of dispensed medicines in the region and account for less than 30% of pharmaceutical spending[5].

Here, we outline the key trends that we believe are having the most impact on the generics pharmaceutical markets where we operate, and how we are responding to these.

1. IQVIA, The Global Use of Medicines 2022, Outlook to 2026, January 2022
2. KPMG, Generics 2030
3. AAM, The U.S. Generic & Biosimilar Medicines Savings Report, September 2022
4. DUPHAT, available at https://duphat.ae/the-opportunity-for-generic-drugs-in-the-mena-region/
5. Medicines for Europe, Removing barriers to equitable access for timely competition
6. United Nations, available at https://bit.ly/3XwYTt5
7. WHO, available at http://bit.ly/3D7gGz1
8. WHO, available at http://bit.ly/3XvzYpY
9. International Monetary Fund, World Economic Outlook, Countering the Cost-of-Living Crisis, October 2022
10. Rock Health, available at http://bit.ly/3QXFP4K

An ageing population and changing lifestyles

The world's population continues to grow and is ageing rapidly. According to the United Nations' projections, it is expected to increase by two billion people to reach 9.7 billion by 2050[6], with the number of people aged 60 or over expected to double to reach 2.1 billion[7]. At the same time, changing lifestyles are leading to an increase in noncommunicable diseases (NCDs), mainly cardiovascular disease, cancer, respiratory disease and diabetes. Almost 74% of deaths worldwide are caused by NCDs[8]. All of this is leading to an increasing need for affordable healthcare solutions.

9.7 billion

estimated global population in 2050, two billion higher than today

Strategic response

Our extensive and global portfolio, high-quality manufacturing operations and strong commercial relationships ensure we are well positioned to meet the evolving needs of patients.

One of Hikma's key strategic pillars is building a portfolio that meets the current and future needs of patients. We do this through investment in internal R&D and through business development opportunities. In MENA for example, we have been focusing our R&D efforts on developing treatments for fast-growing chronic illnesses. Today, chronic medications make up around 56% of our Branded portfolio, up from 43% in 2016.

Find out more about our approach to **identify, analyse and evaluate strategic and emerging risks** on page 60

The impact of global economic uncertainty on access to healthcare

The cost-of-living crisis, tightening financial conditions, geopolitical tension and the lingering impact from the COVID-19 pandemic is leading to a slow down in economic growth. The IMF forecasts that global growth will have declined to 3% in 2022, down from 6% in 2021[9]. These factors, as well as rising inflation, are impacting the pharmaceutical industry. Many companies are experiencing higher costs of raw materials, freight and utilities.

This, coupled with the increase in demand for healthcare, is putting pressure on governments' healthcare budgets. As a result, the need for more cost-effective healthcare is driving an increase in generic penetration.

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products launched in 2022 across our markets

Strategic response

Like many businesses, we have felt the effects of an increasingly challenging macroeconomic environment. Most notably, we have seen inflation in shipping costs, utilities and employee benefits and have been impacted by rising interest rates. Through a tight control of costs and a focus on operating efficiencies, we have been able to manage these challenges while remaining committed to our purpose. Increasing access to affordable healthcare is at the heart of everything we do and, in 2022, we continued to expand our product portfolio, with 182 new launches across our markets.

Evolving competitive landscape

The generic industry is highly competitive and experiences volatility. In the US, buyer concentration, a higher number of competitors and an acceleration in the FDA's generic drug approval process has led to increased competition in 2022. As a result, there has been an increase in pricing pressures, particularly in the retail generic (non-injectable) market.

In MENA, we are seeing an increase in local competition. Many countries are promoting local production through incentives and import restrictions. Local manufacturers may be given preferential treatment in government tenders or faster approval times for new products.

6%

of revenue spent on R&D to ensure we remain competitive

Strategic response

To offset price erosion and increased competition, it is important that we continue to enhance the differentiation and complexity of our product pipeline and that we successfully launch new products. Across the Group, we are adding products with higher barriers to entry including specialty, 505(b)(2), patent protected, inhalation, nasal and biosimilar products.

In MENA, we are an established player with global expertise and a local presence. We have an extensive local manufacturing footprint and are building new injectable manufacturing facilities in Algeria and Morocco to better serve our patients.

Innovation to improve patient care

There is an increasing trend towards digital health as a way of improving the quality of patient care. Through innovation, companies are looking for tools that enable data collection and analysis to improve health outcomes, as well as tools that will help develop a more personalised healthcare approach. Digital health investment increased from $8.2 billion in 2019 to $29.1 billion in 2021[10].

$29 billion

investment in digital health in 2021[10]

Strategic response

Through our venture capital arm, Hikma Ventures (HV), we invest globally in emerging companies in the digital health space. These companies offer innovative solutions that have the potential to transform patient care. Since it was founded in 2015, HV has invested in 18 emerging digital health and drug delivery companies, including six investments completed in 2022. Also in 2022, HV made its first investment in a biotech company. These investments are aligned with our Acting Responsibly framework, through which we ensure we are focusing on 'advancing health and wellbeing'.

Find out more about our **access to medicine** on page 40

Stakeholder engagement

Our vision is of a healthier world that enriches all of our communities. For more than 40 years, we have been dedicated to transforming people's lives by providing the medicine and support that they need every day.

In a fast-changing world, our commitment to our vision is as important as ever, not only for Hikma but also the millions of people we serve around the world. To ensure we continue delivering on our vision and purpose, it is important we build strong engagement with all of our stakeholders. This allows us to better understand their needs and informs our day-to-day commercial and operational decisions, as well as our long-term investments in our business and our people.

Our teams continue to work hard to stay connected to all of our stakeholders, including the patients who use our medicines, healthcare professionals, our customers, our employees and the wider community.

Patients and healthcare professionals

Employees

refer to Acting responsibly page 38

Customers

Communities

refer to Acting responsibly page 38

Government and regulators

Suppliers

Investors

refer to Investment case page 12

Stakeholders and the Board

The Board of Hikma considers its duties to shareholders and the wider community at each Board and Committee meeting, and is particularly aware of its duty to promote the success of the Group for the benefit of all its stakeholders. Over the next few pages we set out how we engage with our key stakeholders and build consideration of stakeholder issues into our decision making, in accordance with Section 172 of the Companies Act 2006. Through case studies, we have outlined how groups of stakeholders were taken into consideration in Board decisions.

Patients and healthcare professionals

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

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

Patients and HCPs need us to:

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

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

How we engage across the Group

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

How we engage at Board level

- The Board receives regular reports which include feedback from patients and healthcare professionals
- The Compliance, Responsibility and Ethics Committee is responsible for direct oversight of the Group's approach to ethical issues associated with HCPs
- Our management teams present to the Board at least once per year, providing updates on the needs of patients and healthcare providers across our markets. In 2022, the MENA management team provided the Board with an update on the outlook for the MENA pharmaceutical market, which reaffirmed their strategy of focusing on building a portfolio of chronic treatments to address market needs

Outcomes and actions

- Hosted scientific symposia in MENA for building greater awareness about diseases that could lead to better detection, diagnosis and treatment to help improve patient outcomes.
- In 2022, we launched a digital disease awareness initiative called Hiyat Hilweh
- Launched Ryaltris™, seasonal allergic rhinitis nasal spray, in the US
- In response to feedback from HCPs, we are helping to meet a growing need for ready-to-administer drugs which can help improve the speed and safety of patient care through our new compounding business in the US
- Helped alleviate drug shortages in Canada by leveraging our US business to import key US FDA-approved products

6%

of revenue spent on core R&D

Employees

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

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

Our employees need us to:

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

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

How we engage across the Group

- We are committed to empowering our people by offering ongoing training and diverse learning experiences that are accessible and engaging. Our goal is to support career growth and lifelong learning for all employees
- Our Group-wide principles for ensuring employee health and safety are outlined in our Group Environmental, Health and Safety Policy Statement. We also have local policies and procedures in place
- We conduct employee surveys and use this feedback to improve our performance and culture
- We have an active internal communications programme to keep employees engaged and informed on Group strategy, progress and development
- We established the Diversity, Equity and Inclusion (DEI) Committee to continue to create a culture where everyone feels they belong

How we engage at Board level

- Nina Henderson has Board-level responsibility for employee engagement. She reports on employee issues as required during Board or Committee business. A report on her activities is included on page 75
- The Board receives regular reports on communications activities with employees, including employee surveys and events or feedback that are reported by the Chief Executive Officer

Outcomes and actions

- Launched the Hikma Women's Network as part of our DEI initiative, which brings together women from across the organisation to share multicultural experiences to help thrive in the workplace
- Focused on improving employee enablement and engagement through our leadership programme
- The CEO and management team maintain regular engagement with employees through calls, town hall meetings and our internal communication programme to keep them informed on business updates and to answer questions they have

Customers

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

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

Customers need us to:

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

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

How we engage across the Group

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

How we engage at Board level

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

Outcomes and actions

- Continued to build our portfolio to address specific growing healthcare needs and therapeutic areas. In 2022 we had 182 new launches across our markets
- Continued to work closely with our customers to understand their needs and improve service levels
- Prioritised the manufacture and supply of key medicines in short supply, including amoxicillin
- Expanded distribution of naloxone in the US to help address the opioid overdose epidemic

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New launches across our markets

Investing for future growth

Stakeholders considered

Our teams continuously assess business development and M&A opportunities to ensure we are deploying our capital, in line with our strategy, and delivering long-term value to our stakeholders, in particular our shareholders, the patients we serve and healthcare professionals.

Following discussions with management over 2021 and 2022, the Board approved and completed two acquisitions that are not only highly complementary to our Injectables business, but also enable us to increase patients' access to medicine.

How the Board made its decision

In order to assist the Board with its decision, management presented detailed due diligence reports providing background on both acquisitions, including financial information, strategic rationale, market opportunity and integration plans. The Board was mindful of the increased workload on employees but was confident that management would monitor this and make adjustments where necessary.

On 2 February 2022, we completed the acquisition of Teligent's Canadian sterile injectable assets. This expanded Hikma's presence in the highly attractive Canadian injectables market. In addition, on 21 April 2022, following approval from the US Federal Trade Commission, we closed the acquisition of Custopharm Inc. in the US. This brought with it a portfolio of marketed products, promising new pipeline opportunities and expanded our Injectables R&D capabilities.

Long-term implications

By adding products and strengthening our pipeline through these acquisitions, we are able to better serve the growing needs of hospitals, doctors and patients. We are already delivering on this. Since completing the Teligent Canadian asset acquisition, we stepped in to help alleviate drug shortages in the Canadian market by leveraging our US business to import key US FDA-approved products.

Communities

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

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

Our communities value our efforts to:

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

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

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

How we engage across the Group

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

How we engage at Board level

- The Board of Directors have overarching oversight of our ESG strategy
- Our Executive Vice President of Strategic Planning and Global Affairs, who reports directly into our CEO, leads our ESG efforts as well as our internal cross-functional working group integrating TCFD requirements into our business. More information on our sustainability efforts can be found on page 38 to 57 and on our corporate governance and our management of ESG issues on page 51

Outcomes and actions

- Increased medicine donations from $3.2 million in 2021 to $4.3 million in 2022 (value based on cost of goods)
- Worked with Direct Relief to provide critical medicines to Ukraine
- Provided malaria medications to more than 2,800 people in Sudan in response to extreme floods
- Achieved a 15% reduction in Scope 1 and 2 GHG emissions since 2020

$4.3m

in medicine donations in 2022

Committed to increasing access to medicine

Stakeholders considered

We are proud of the important role we play in manufacturing and providing affordable, high-quality medicines to treat a growing number of illnesses and conditions. Our customers, healthcare professionals (HCPs) and patients look to us to meet their evolving needs and ensure reliable access to medicines.

Our extensive manufacturing footprint and our commitment to manufacturing flexibility gives us the ability to respond quickly to emergent situations and provide HCPs and patients with high-quality medicines when they most need them. Each year, management and the Board review our capital expenditure plans, taking into consideration the local needs of our markets and evaluating where Hikma can add value. Our capital expenditure goes towards both upgrading our equipment and expanding our footprint.

In MENA, we are reinforcing our strong commercial presence with local manufacturing operations, reducing supply chain complexities and providing local hospitals with direct and rapid access to essential medicines. We are currently constructing two new injectable manufacturing facilities in Morocco and Algeria.

Long-term implications

The construction of these two new facilities will enable us to improve access to essential injectable medicines in Algeria and Morocco. As a local company with global expertise, we can serve our customers more efficiently and work closer with them to develop solutions for their needs.

Government and regulators

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

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

Our regulators expect us to:

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

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

How we engage across the Group

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

How we engage at Board level

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

Outcomes and actions

- Engaged in shaping US generic pharmaceutical policies and legislation as a member of the Association of Accessible Medicines trade association
- Launched an outreach programme to build closer relationships with key members of Congress and their staff and hosted tours of our Columbus facility with US representative for Ohio, Joyce Beatty, and Senator Sherrod Brown to showcase our extensive US manufacturing capabilities
- Our Generics and Injectables leadership teams met with the Department of Health and Human Services and its various offices to explore opportunities to supply the government with stockpiles of essential US-made medicines from Hikma's portfolio
- Regularly meet with governing bodies and industry regulators in MENA to understand the unmet healthcare needs in key markets and ensure our product portfolio addresses them

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Manufacturing plants

Suppliers

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

Why is it important to engage with this group and what do we expect from them?

We want our suppliers to:

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

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

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

How we engage across the Group

- We conduct quality audits prior to on-boarding any new API supplier and on a regular basis for our current supplier base
- We build local sourcing and procurement presence in our key supplier markets to secure preferred access to capacity, innovation and pricing
- We share our Supplier Code of Conduct, which sets out the standards we expect from all our suppliers, including fundamental standards on human rights, modern slavery and our sustainability expectations
- We conduct initial and periodic due diligence to assess third-party risks and run sustainability assessments through EcoVadis to understand areas of improvement
- We measure and report on the greenhouse gas (GHG) emissions originating from our supplier base
- We engage with our suppliers to understand their commitments and efforts to reduce GHG emissions as well as their impact on our emissions

How we engage at Board level

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

Outcomes and actions

- Our long-term relationships with our suppliers have allowed us to ensure continuity of supply to our customers
- In 2022, we launched an updated Supplier Code of Conduct which sets out the high-quality standards we expect from our partners and suppliers, especially on sustainability matters
- We developed a better understanding of the sustainability performance of our supplier base and the impact our relationship has on our scope 3 GHG emissions

Investors

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

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

Our investors want us to:

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

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

How we engage across the Group

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

How we engage at Board level

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

Outcomes and actions

- We maintained regular contact with our analysts and investors to give business updates. We met with 104 investors in 2022
- We hosted a site visit at our Injectables manufacturing facility in Portugal, which serves as a global hub for the Injectables business
- In 2022, our Remuneration Committee Chair and Senior Independent Director met with several of our largest shareholders to present the proposed Remuneration policy and address queries. Hikma's sustainability strategy was also discussed

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Investors met with in 2022

Consulting on a new remuneration policy

How we engaged

Engagement took place from September to November with key stakeholders, including shareholders, employees and institutional investor bodies, to help shape our new remuneration policy. Our Remuneration Committee Chair, Nina Henderson, and Senior Independent Director, Patrick Butler, met with our largest shareholders, representing 48% of the voting rights of our issued share capital, and proxy advisory agencies to explain the proposed changes to our Remuneration policy and continued a dialogue as the policy evolved, including consultation with key institutional investor bodies to gain their insights and feedback.

The views of management were also sought to ensure the proposed changes to variable reward structures were fit for purpose and well understood, as part of a fair and consistent reward package.

How this influenced decisions

During consultations, shareholders were supportive of the proposed changes to the remuneration policy (including the quantum). The common key considerations raised were:

- to keep the structure simple by limiting the number of metrics used
- the importance of building in environmental and diversity metrics, and
- ensuring the targets are sufficiently stretching

Taking into account the views expressed, the Committee limited the number of metrics used for the Long Term Incentive Plan to four clearly defined areas, with 20% weighted to ESG measures, and ensured that the target-setting process is robust based on stretching business plans.

Shareholders also took the opportunity to discuss general business updates with the Board members, including understanding their view and progress on CEO succession.

Long-term implications

The new Remuneration policy aligns remuneration with our strategy for the long-term success of Hikma. The policy avoids paying out more than we consider necessary and aligns with our culture and broader reward framework. It allows us to offer a reward package that will continue to attract, retain and motivate quality leaders. We remain committed to engagement with our shareholders to ensure an open and transparent dialogue on the issue of executive remuneration at Hikma.

Business and financial review

"I am pleased with the Group's resilient underlying performance in 2022, demonstrating the benefit of our diversified business model."

Reported results[1] (statutory)

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

Core results[4] (underlying)

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

1. 2022 reported results include non-cash exceptional items related to impairments – further information can be found below
2. Constant currency numbers in 2022 represent reported 2022 numbers translated using 2021 exchange rates, excluding price increases in the business resulting from the devaluation of the Sudanese pound and excluding the impact from hyperinflation accounting
3. EBTIDA is earnings before interest, tax, depreciation, amortisation, assets write-down, impairment charges/reversals and unwinding of acquisition related inventory step-up. Core EBITDA is adjusted for exceptional items. EBITDA is a non-IFRS measure, see page 34 for a reconciliation to reported IFRS results
4. Core results throughout the document are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 6 of the Group consolidated financial statements. Core results are a non-IFRS measure and a reconciliation to reported IFRS measures is provided on page 33
5. Net debt to core EBITDA is calculated as Group net debt divided by core EBITDA and is considered a useful measure of the Group's financing position

Diversified business model underpins resilient core performance

- Group revenue down 1% – a good performance from Injectables and Branded, offset by the effect of severe competitive pressures in Generics and foreign exchange headwinds in MENA
- Core operating profit down 6%, reflecting the significant reduction in Generics profit and the impact of inflation. Reported operating profit down 52%, reflecting impairment charges totalling $181 million primarily related to changes in our longer-term expectations for generic Advair Diskus® and excess respiratory production capacity resulting from the rationalisation of our R&D pipeline
- Core profit attributable to shareholders down 10% and reported profit attributable to shareholders down 55%
- Cashflow from operating activities down 17% to $530 million primarily reflecting the reduction in core operating profit and an increase in inventories to ensure continuity of supply
- 6% of revenue invested in R&D, supporting a growing pipeline of complex and specialty products
- Maintained a healthy balance sheet. Following acquisitions and share buyback, leverage remained low at 1.5x net debt to core EBITDA[3,5], (31 December 2021: 0.6x)
- Full-year dividend of 56 cents per share, up from 54 cents per share in 2021

Continued momentum in Injectables and Branded partially offset Generics decline

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

Khalid Nabilsi
Chief Financial Officer

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

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

Group

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

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

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

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

Other net operating expenses were $192 million (2021: $15 million) reflecting impairment charges totalling $181 million primarily related to changes in our longer-term expectations for generic Advair Diskus® and excess respiratory production capacity resulting from the rationalisation of our R&D pipeline. Excluding exceptional items[7], core other net operating expenses were $11 million (2021: $38 million), primarily reflecting foreign exchange-related costs which were partially offset by income from product disposals and legal settlements.

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

6. IQVIA Midas MAT September 2022 for Algeria, Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Tunisia, UAE. USD sales
7. In 2022, exceptional items comprised a $80 million impairment charge on PPE and right-of-use-assets and a $101 million impairment charge on intangible assets. In 2021, exceptional items comprised a $60 million impairment reversal of product related intangibles, a $24 million charge of product related intangibles and a $13 million intangible assets write-down. Refer to Note 6 of the Group consolidated financial statements for further information

We supply hospitals across our markets with generic injectable products, supported by our manufacturing facilities in the US, Europe and MENA.

Injectables

Financial highlights

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

Injectables revenue grew 8% in 2022, 10% in constant currency, benefitting from our broad portfolio and new launches as well as a good contribution from the acquisitions of Custopharm Inc. in the US and Teligent's Canadian assets. Organic revenue growth was 2% reported and 4%[1] in constant currency.

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

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

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

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

Injectables core operating profit, which excludes the amortisation of intangible assets (other than software)[2] grew 8% and core operating margin was 37.5%. This reflects the increase in gross profit which more than offset higher R&D in the US as we build a pipeline of complex products, an increase in sales and marketing costs to support our expansion into Europe, spending on the establishment of our new sterile compounding business in the US, spend related to the integration of recent acquisitions, as well as an increase in costs due to inflation, including for shipping and utilities.

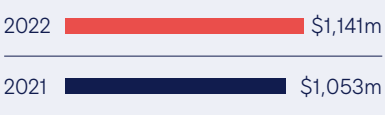
During the year, the Injectables business had 12 launches in the US, 41 in MENA and 47 in Europe and ROW. We submitted 149 filings to regulatory authorities across all markets. This reflects the ongoing expansion of our European portfolio. We also signed new licensing deals, including three new biosimilars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

Outlook for 2023

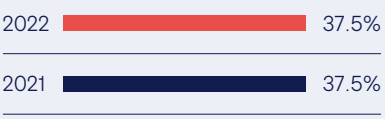
For Injectables, we expect revenue to grow between 7% and 9% and for core operating margin to be between 36% and 37%. This reflects our broad portfolio and flexible manufacturing capabilities across our geographies, supported by new product launches.

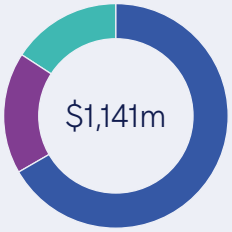
> We grew in all our markets, benefitting from new launches, entering new geographies and the integration of our acquisitions."

Core revenue



Core operating margin





Core revenue by region

US	$761m (67%)
Europe & ROW	$202m (18%)
MENA	$178m (15%)

1. This excludes revenue contribution from Custopharm of $53 million and Teligent's Canadian assets of $17 million
2. Exceptional items comprised a $4 million impairment charge on PPE and right-of-use assets, a $26 million unwinding of acquisition related inventory step-up, a $8 million impairment charge on intangible assets and reorganisation costs of $2 million. Amortisation of intangible assets (other than software) was $43 million. In 2021, exceptional items comprised a $10 million impairment of product related intangibles and a $1 million intangible assets write-down. 2021 amortisation of intangible assets (other than software) was $33 million. Refer to Note 6 of the Group consolidated financial statements for further information

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

Branded

Financial highlights

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

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

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

Core operating profit, which excludes the amortisation of intangibles (other than software) and exceptional items[1] grew 17% and core operating margin expanded to 21.1%. This reflects the improvement in gross profit and good control of sales and marketing costs, which more than offset an increase in R&D and G&A costs, as well as the negative impact of currency devaluation in our North African markets.

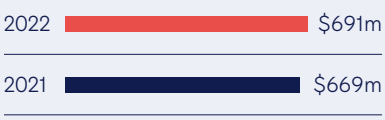
During the year, the Branded business had 79 launches and submitted 193 filings to regulatory authorities. Revenue from in-licensed products represented 35% of Branded revenue (2021: 36%).

Outlook for 2023

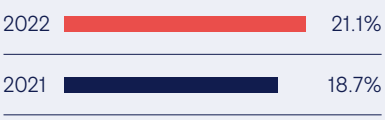
For Branded, we expect mid to high single-digit constant currency revenue growth, driven by our expanding portfolio and focus on chronic medications.

> Another year of good growth and margin progression as we increase our focus on chronic medications."

Core revenue



Core operating margin



1. Exceptional items comprise reorganisations costs of $2 million. Amortisation of intangible assets (other than software) was $8 million. 2021 exceptional items comprised a $11 million intangible assets write-down. 2021 amortisation of intangible assets (other than software) was $10 million. Refer to Note 6 of the Group consolidated financial statements for further information

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

Generics

Financial highlights

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

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

The decline in Generics core gross profit and margin reduction to 39.6% was primarily a result of the impact of price and volume erosion.

Generics core operating profit, which excludes the amortisation of intangible assets (other than software) and exceptional items[1], declined 49% due to the reduction in gross profit, as well as an increase in sales and marketing costs as we continue to build out the commercial capabilities necessary for our expanding specialty business. Through tight control of costs elsewhere and by driving efficiencies, core operating margin was 15.3%.

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

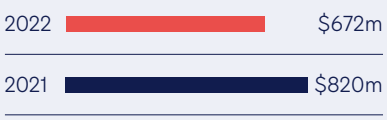
In 2022, the Generics business launched three products and submitted seven filings to regulatory authorities.

Outlook for 2023

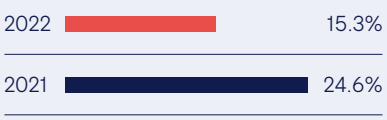
For Generics, we expect to grow in the low double-digits and for core operating margin to be between 16% and 18%. This reflects contribution from new launches supported by our commercial strength.

> We were impacted by a challenging competitive environment in the US, but delivered a solid mid-teens margin and will return to growth in 2023."

Core revenue



Core operating margin



1. Exceptional items comprised a $76 million impairment charge on PPE and right-of-use assets, $1 million unwinding of acquisition related inventory step-up, a $93 million impairment charge on intangible assets and reorganisation costs of $9 million. Amortisation of intangible assets (other than software) was $41 million. 2021 exceptional items comprised a $60 million impairment reversal of product related intangibles and a $14 million impairment charge of product related intangibles and a $1 million intangible assets write-down. 2021 amortisation of intangible assets (other than software) was $30 million. Refer to Note 6 of the Group consolidated financial statements for further information

Other businesses

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

Research and development

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

	2022 submissions[1]	2022 approvals[1]	2022 launches[1]
Injectables	149	129	100
US	14	15	12
MENA	77	59	41
Europe & ROW	58	55	47
Branded	193	136	79
Generics	7	5	3
Total	**349**	**270**	**182**

Net finance expense

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

On a reported basis, net finance expense was $52 million (2021: $39 million). This comprised $29 million finance income and $81 million finance expense. Excluding exceptional items[2], core net finance expense was $74 million (2021: $55 million). This comprised $3 million finance income and $77 million finance expense. The increase primarily reflects the rising interest rate environment and increased borrowing due to the acquisitions of Custopharm Inc. and Teligent's Canadian assets.

We expect core net finance expense to be around $78 million in 2023[3].

Profit before tax

Reported profit before tax decreased to $233 million (2021: $544 million), primarily due to the impairment in the Generics business. Excluding the amortisation of intangibles (other than software) and exceptional items[4], core profit before tax was $520 million (2021: $578 million), down 10%.

Tax

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

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

Profit attributable to shareholders

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

Earnings per share

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

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

1. Pipeline projects submitted, approved and launched by country in 2022
2. Exceptional items comprised $26 million non-cash finance income related to remeasurement of contingent consideration and a $4 million non-cash finance expense related to the unwinding of contingent consideration and other financial liability
3. Based on the composition of the Group's net debt portfolio as at 31 December 2022, a one percentage point increase/decrease in interest rates would result in $4 million decrease/increase in net finance cost per year (2021: $2 million increase/decrease)
4. Exceptional items comprised a $5 million net gain from investment divestiture, $14 million of reorganisation costs, a $80 million impairment charge on PPE and right-of-use assets, a $27 million cost related to unwinding of acquisition related inventory step-up, a $101 million impairment charge on intangible assets, $26 million non-cash finance income related to remeasurement of contingent consideration and a $4 million non-cash finance expense related to the unwinding of contingent consideration and other financial liability. Amortisation of intangible assets (other than software) was $92 million. Refer to Note 6 of the Group consolidated financial statements for further information

Dividend

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

Net cash flow, working capital and net debt

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

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

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

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

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

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

Balance sheet

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

Definitions

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

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

Core results

Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items which are excluded when assessing the underlying performance of the Group. Our core results exclude the exceptional items and other adjustments set out in Note 6 of the Group consolidated financial statements.

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

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

Constant currency
As the majority of our business is conducted in the US, we present our results in US dollars. For both our Branded and Injectable businesses, a proportion of their sales are denominated in a currency other than the US dollar. In order to illustrate the underlying performance of these businesses, we include information on our results in constant currency.

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

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

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

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

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

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

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

ROIC	2022 $ million	2021 $ million
Core operating profit	596	632
Total tax	(124)	(137)
Core operating profit before tax	**472**	**495**
Net debt	1,013	420
Equity	2,148	2,467
Invested capital	**3,161**	**2,887**
ROIC	**14.9%**	**17.1%**

Sustainability

Image

An employee at our Columbus, Ohio facility putting the final touches to the Fette 2090i turret die installation, preparing for upcoming tableting operations.

Acting responsibly at Hikma

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

At Hikma, we continue to progress our sustainability agenda across all facets of our organisation. As we strive to put better health within reach, every day, we have a duty to act responsibly for our patients, people, communities and the planet.

We have identified four focus areas that guide our approach to sustainability and to Environmental, Social and Governance (ESG) issues. We advance health and wellbeing; we empower our people; we protect the environment; and we build trust through quality in everything we do.

This section outlines how we address our most material ESG issues and highlights some of the major activities, milestones and achievements made throughout the year. More information on sustainability and ESG will be provided in our upcoming Sustainability Report 2022.

For more information visit
www.hikma.com/sustainability

Advancing health and wellbeing

Providing better healthcare and supporting our communities

- Access to medicines
- Corporate social responsibility
  - Providing better health
  - Supporting education
  - Helping people in need

$4.3m

value of our donated medicines

Read more on page 41

Empowering our people

Shaping an inclusive culture where everyone can thrive

- Recruitment, retention and promotion
- Diversity, equity and inclusion
- Ensuring health and safety

8

Average hours of training annually per employee

Read more on page 45

Protecting the environment

Minimising our impact on the planet

- Reduction of greenhouse gas emissions (GHG)
- Sustainable supply chain
- Water management
- Waste management

15%

Reduction achieved in our Scope 1 and 2 emissions since the 2020 base year

Read more on page 46

Building trust through quality in everything we do

Upholding ethical standards and acting with integrity

- Ethics and compliance
- Product quality and safety
- Corporate governance

8

Maintaining membership in the FTSE4Good for eight consecutive years

Read more on page 51

As a supplier of generic pharmaceuticals, we are in the business of making medicines more affordable and accessible across our geographies.

Providing better healthcare and supporting our communities

Access to medicines

Our purpose is to put better health, within reach, every day, and we do this by producing high-quality medicines and making them accessible to those who need them. Access to medicine remains a cornerstone of our sustainability agenda and we are committed to improving accessibility and affordability across our geographies.

In MENA, we are now the third largest pharmaceutical company according to sales (up from fourth in 2021)[1] and we continue to expand our local manufacturing capacity to ensure patients have access to critical medicine throughout the region. During 2022 we enhanced our capabilities and expanded our sites in Jordan, Saudi Arabia and Sudan, enabling us to better meet local demand, including for oncology products, and ensure reliability of supply for critical chronic treatments. In addition, we are strengthening our sterile injectable manufacturing capabilities in the region by building new plants in Morocco and Algeria. Having a local presence will help reduce supply chain complexities and enables us to provide hospitals with direct and more rapid access to essential injectable medicines.

In the US, Hikma is a top-three supplier of generic injectable medicines to hospitals[2], and a leading provider of oral solid, liquid and nasal generic medicines distributed to patients through pharmacies and health benefits programmes. We are recognised as one of the leading US domestic producers of generic medicines with R&D, manufacturing and distribution facilities in New Jersey, Ohio and California. We consistently work to enable broader patient access to generic medicines through our membership in and support of key trade associations and advocacy groups.

1. IQVIA Midas MAT September 2022 for Algeria, Egypt, Jordan, Kuwait, Lebanon, Morocco, Saudi Arabia, Tunisia, UAE. USD sales
2. IQVIA MAT December 2022, generic injectable volumes by eaches, excluding branded generics and Becton Dickinson

Through these relationships, along with our generic peer companies, we ensure safe, effective and less costly medicines are available for patients who need them.

From Europe, we supply all of our markets with sterile injectable products produced in our facilities in Portugal, Germany and Italy. In 2022, we expanded our production capacity in Portugal, enabling us to increase volumes and add new products to our portfolio. We are also expanding our commercial sales presence within the continent in markets including France and Spain.

Our broad global portfolio and growing pipeline enables us to address a range of market needs. We provide medicines to nine countries identified by the Access to Medicine Foundation (the Foundation) as having 'an urgent need for better access to medicine.' Within these markets, we manufacture and/or sell a range of medicines that treat critical diseases and conditions.

Medicine donations

Through our medicine donations programme, we channel direct support to people and communities in most need. These include low-income groups, displaced persons, patients without sufficient medical coverage and vulnerable segments of the population. In 2022, we updated our medicine donation policies in Europe, enabling us to respond more effectively to urgent donation requests made by our partners and others. During the year, we worked alongside partners such as Direct Relief to provide critical medicines to Ukraine as well as elsewhere around the world. Our medicine donations increased from $3.2 million in 2021 to $4.3 million in 2022 (value based on cost of goods).

Access to medicine remains a cornerstone of our sustainability agenda.

Adapting to crisis situations and medicine shortages

In several of our markets, socio-economic and political circumstances presented a need for us to adapt and respond. In countries such as Yemen, Lebanon, Libya and Sudan, we worked to maintain a secure supply of medicines. This involved restructuring distribution models and adapting to the needs of the market and our local partners.

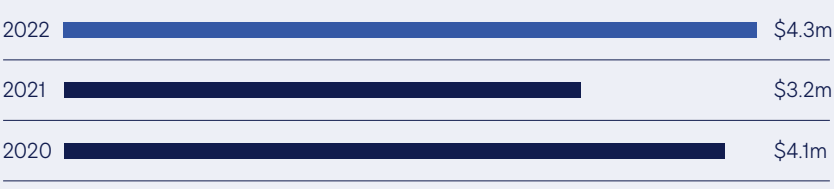
In the US, we continue to work with the Food and Drug Administration (FDA) to anticipate and address shortages of vital medicines. Hikma has played a leading role in addressing US drug shortages, launching more than 20 medicines into shortage situations in recent years and receiving an award from the FDA for our efforts.

Collaborating with the Access to Medicine Foundation

Our aim is to ensure vulnerable people around the world receive access to the critical medicines they need, and in this context, we began engaging with the Foundation in 2022 to leverage their expertise and further enhance our approach to accessibility.

We worked alongside the Foundation as part of their Generic Medicine Manufacturers Research Programme to evaluate the role of generic manufacturers in increasing access to medicine in low and middle income countries (LMICs). We also collaborated with industry peers and partners to share perspectives on global health security and effective multi-stakeholder approaches to improving access to medicine. We will continue to collaborate with the Foundation to identify opportunities that expand access to essential health products in LMICs.

Medicine donations
(COGS)$m



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

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

4,060 volunteers

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

7,825 volunteering hours

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

13 countries with community outreach campaigns

Providing better health

Responding to crises to improve access to healthcare

In response to extreme floods in Sudan, Hikma worked alongside the Chamber of Industry in the city of Managil to provide malaria medications to more than 2,800 people.

Following the destruction caused by Hurricane Ian in the US, we directed funds to support emergency responders. The funds were used to purchase medical supplies, mobile medical units and portable power stations.

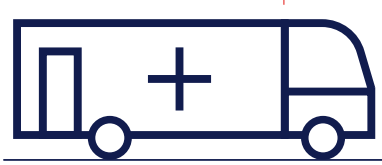
In response to the ongoing conflict in Ukraine, we partnered with Direct Relief and contributed to their provision of 890 tonnes of medical aid ranging from field medic packs to diabetes and cancer medications.

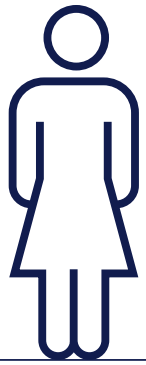
Supporting breast cancer awareness

Our global Breast Cancer Campaign helps to spread awareness, screening and testing to women around the world.

+7,000
women received free breast examinations in MENA

100
employees received pre-screening through mobile mammography units in Portugal and Tunisia





+60,000
Raising awareness about breast cancer detection, prevention and treatment for more than 60,000 women in Jordan

Supporting education

Strengthening access to higher education for refugees

Through our ongoing partnership with the UN Refugee Agency (UNHCR) and their Albert Einstein German Academic Refugee Initiative (DAFI) scholarship programme, we are helping to provide higher education scholarships and internship opportunities for 40 refugees in Jordan, Egypt and Algeria.

We also hosted 20 DAFI students and alumni at the Samih Darwazah Memorial Centre in our new Jordan office, providing an inspiring and educational experience for all attendees.

Description: Algeria, Interview with DAFI graduate
Credit: © UNHCR/Russell Fraser

Establishing the Dr Samih Darwazah Lecture Hall and Computer Lab

The construction and launch of the Dr Samih Darwazah Lecture Hall and Computer Lab at the School of Pharmacy in the University of Jordan will provide more resources, space and learning capabilities for more than 500 students every year.

Helping people in need

190,000

Providing more than 190,000 free meals to people across MENA, US and Europe

We empower our people by nurturing a culture of progress and belonging that enables our people to thrive. We continue to focus on retaining and recruiting high-calibre talent, enhancing the skills and potential of our employees and taking steps to promote diversity, equity and inclusion.

Empowering our people

Shaping an inclusive culture where everyone can thrive

Recruitment, retention and promotion

Our people are our most valuable asset, and our focus in 2022 was to advance employee engagement and to promote more inclusive learning and development opportunities in order to retain high-calibre talent.

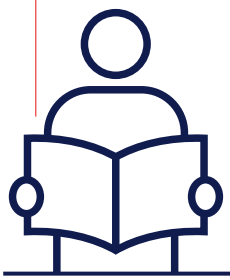
In 2022, we took measures to improve the reach and inclusivity of employee learning opportunities. We expanded our library of online resources, introducing structured curriculums for various business functions. We also focused on improving accessibility to training across locations and employee levels by introducing curriculums in more languages and offering courses that improve digital skills. We expanded learning opportunities in subjects including leadership, management and career development in order to drive upward mobility. We also diversified the opportunities that we provide for employees, from technical subject areas to behavioural, soft skills and collaborative training. These actions contributed to a year-on-year increase in active users across all of our learning platforms from 3,820 in 2021 to 4,400 in 2022.

In 2022, our employees received an annual average of eight learning hours. Our aim is to remain above our minimum threshold of six hours, and to maintain our average of eight learning hours per employee.

“In 2022, our focus was to advance employee engagement and to promote more inclusive learning and development opportunities.”

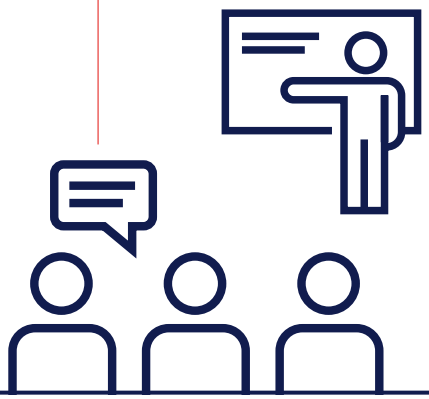
8
Average learning hours per employee

4,400
active users across learning platforms (2021: 3,820)



8,400
Video-based learning hours completed (2021: 13,000)

55,000
Instructor-led learning hours for 35% of our employees (2021: 47,000)



Diversity, equity and inclusion

We continued to advance Diversity, equity and inclusion (DEI) across our global operations in 2022, furthering Hikma's commitment to a culture of progress and belonging that provides all employees with opportunities for personal and professional growth. We believe in fostering an inclusive workplace where all employees feel they belong, and as they grow and develop, so does Hikma.

We are championing DEI in many different ways, we surveyed our US employees about their DEI experiences and are now taking actions to address areas of improvement.

To build knowledge and DEI engagement, we launched annual employee diversity awareness training. In addition, we continued building our network of Employee Resource Groups (ERGs) by strengthening our Black Employees Advisory Board and Hikma Women's Network. We are taking steps to launch new ERGs in the year ahead.

Ensuring health and safety

We continue to prioritise the health and safety of our people. Our Group Environmental Health and Safety policy statement, updated in 2021, strengthened and standardised our approach to ensuring the wellbeing of our employees globally.

Going forward, we aim to strengthen the processes and procedures that we have in place to ensure our employee safety. We have achieved certification for ISO 45001 Occupational Health and Safety Management Systems in most of our facilities in MENA and our objective is to continue attaining this certification in other locations as well.

We are committed to making our operations greener and to improving our environmental performance.

Minimising our impact on the planet

Our Scope 1 and 2 greenhouse gas emissions

In 2022, our Scope 1 and 2 emissions (market-based) measured 123,144 tonnes of carbon dioxide equivalent (tCO_2e), a decrease of 9% compared to 2021.

During the year, we enhanced capacity for solar energy generation in our Portugal site, increasing to more than 388 MWh. We expanded use of light-emitting diode (LED) lighting in facilities across Algeria, Egypt, Jordan, Saudi Arabia and Tunisia. We achieved Leadership in Energy and Environmental Design (LEED) certification for our new head office in Amman, Jordan, ensuring that we maintain a high standard of energy efficiency and management of resources. In addition, we continued to invest in building management systems to improve how we monitor and manage consumption during manufacturing processes.

For the second consecutive year, we further reduced our carbon footprint by purchasing 35,000 MWh of Renewable Energy Certificates (RECs) in the US, representing a reduction of 14,671 tCO_2e. The RECs were certified under Green-e Renewable Energy Standard for Canada and the United States v3.5 ensuring strong compliance with standards, quality assurance and proper oversight. Including the purchase of RECs, we reduced our overall Scope 1 and Scope 2 emissions (market-based) by 25% compared to our base year (2020).

Our Scope 1 and 2 emissions reduction target

In 2021, we put in place a target to reduce our Scope 1 and 2 GHG emissions by 25% by 2030, using a 2020 baseline. The target was developed using the absolute contraction approach and is in line with the Paris Climate Agreement's well-below 2°C scenario.

We are making significant progress towards achieving our target.

Compared to our base year (2020), our Scope 1 and 2 emissions decreased by 15% in 2022. These reductions were achieved largely through the expansion of green electricity procurement in all of our European facilities and through investments in renewable energy infrastructure and other initiatives to improve energy efficiency across our sites.

Excluding purchased RECs from our emission reduction target

We value the contributions of our RECs purchases in supporting the renewable energy sector and infrastructure where we operate. As these RECs purchases do not provide additionality or permanence to the renewables sector and infrastructure and therefore do not provide us with a permanent solution to our emissions impact, we have not included them in our calculation of the total emissions reduction achieved in 2022 as it relates to our emissions reduction target. We do, however, consider RECS an effective tool to impact our emissions while we consider longer-term strategies that will provide more additionality and permanence to the sector.

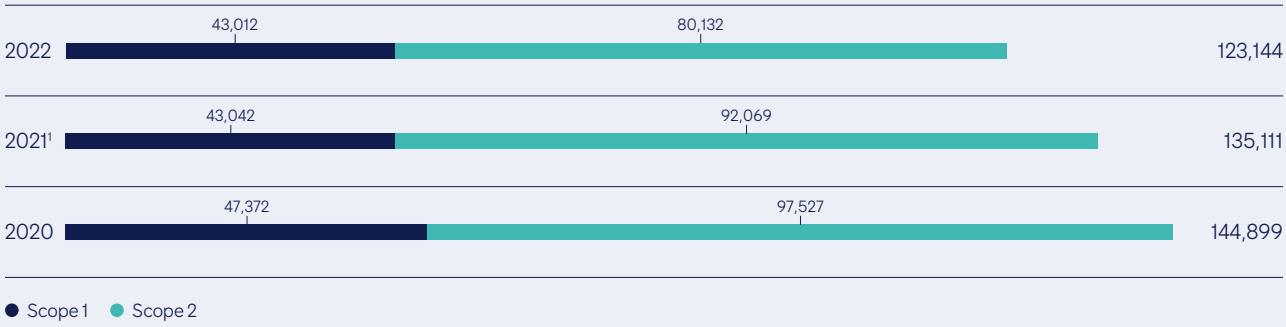
In 2023, we have plans to undertake further energy use assessments at our largest sites to identify the potential for further emission reductions. This will help to inform a comprehensive review of our longer-term emission reduction target, which we will also undertake during the year.

GHG emissions[1] (tCO_2e)

	2020	2021[2]	**2022**
Scope 1 – Combustion of fuel and operation of facilities	47,372	43,042	**43,012**
Scope 2 (market-based) – Electricity	97,527	92,069	**80,132**
Total Scope 1 and 2 emissions (market-based)	144,899	135,111	**123,144**
Year-on-year change in Scope 1 and 2 emissions (market-based)	N/A	(7%)	**(9%)**
Change in Scope 1 and 2 emissions (market-based) since base year 2020	N/A	(7%)	**(15%)**
Scope 2 (location-based) – Electricity	94,949	84,708	81,579

1. We have not included RECs in our calculation of the total emission reduction achieved in 2022 as it relates to our emission reduction target.
2. Emissions for 2021 have been restated by +3% as we continue to improve our monitoring and analysis of environmental metrics.

GHG emissions
(tCO_2e)



Energy consumption (MWh)

	2020			2021[3]			2022		
	UK	Rest of the world	Total	UK	Rest of the world	Total	**UK**	**Rest of the world**	**Total**
Electricity	129	223,634	223,763	125	209,778	209,903	**116**	**215,109**	**215,225**
Fuels	871	217,644	218,514	882	209,646	210,528	**882**	**216,554**	**217,436**

3. Energy consumption for 2021 has been restated by +3% as we continue to improve our monitoring and analysis of environmental metrics.

GHG emissions (tCO_2e) – Renewable Energy Certificate (REC) purchase

	2022
Emissions impact of RECs	(14,670)
Scope 2 (market-based) – Electricity	80,132
Scope 2 (market-based) – Electricity including RECs	65,462
Scope 1 – Combustion of fuel and operation of facilities	43,012
Total Scope 1 and 2 emissions (market-based) including RECs	108, 474
Year-on-year change in Scope 1 and 2 emissions (market-based) including RECs	(10%)
Change in Scope 1 and 2 emissions (market-based) since base year including RECs	(25%)

Emissions intensity: revenue[4] ($m)

	2020	2021[2]	**2022**
Scope 1 and 2 emissions (market-based) / revenue	61.9	47.1	**43.1**
Scope 1 and 2 emissions (location-based) / revenue	60.8	50.0	**49.5**

4. Emissions intensity is calculated using Group-wide revenue ($m)
   - Revenue 2020: 2,341
   - Revenue 2021: 2,553
   - Revenue 2022: 2,517

UK emissions

The Group operates one location within the United Kingdom, where we are listed, which is an office building that is managed by a third party. During the year, the UK site consumed 998 MWh (2021: 1,007 MWh) of energy, which is equivalent to 202 tCO_2e.

The energy consumption is measured by meter readings provided by the managing agent and relates to electricity and gas used for heating, cooling and general office power. The Group does not provide transport within the UK other than via private hire vehicles for which consumption data is not available.

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

UK	**0.16%**

Methodology for Scope 1 and 2 emissions data

We quantify and report our organisational GHG emissions in alignment with the World Resources Institute's Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and in alignment with the Scope 2 Guidance.

We consolidate our organisational boundary according to the operational control approach, as described in the GHG Protocol Reporting Standard. This includes all our facilities and locations where we have operational control.

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

Scope 1:

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

Scope 2:

- Purchased electricity – standard
- Purchased electricity – renewable

For reporting in this Annual Report, we have used data from January to September of 2022 and conducted an uplifting exercise to estimate quantities for October to December 2022. More information on this methodology can be found on our website. Our Sustainability Report, published later in 2023, will contain updated emissions and environmental data for full-year 2022.

We continue to refine and improve how we monitor and manage our emissions. In this context, we have restated our 2021 emissions, which are now 3% higher than what was originally reported in our Sustainability Report 2021. More information on this restatement can be found here **www.hikma.com/sustainability**.

Our emissions calculation contains no material omissions, as determined by the reasonable level of assurance received on this data. In some cases, where any month's data is missing, it has been estimated using the following methodology: using data from one year prior to the month to be estimated or previous year as proxy, calculate an average daily consumption over that period and apply that to the number of days within the month to be estimated.

GHG emissions: Scope 3

We have been working on refining and improving the quality of our Scope 3 carbon calculations, which we first disclosed in 2021. As part of ongoing improvements to our emissions calculation methodology, our 2021 Scope 3 emissions have been restated from 837,227 to 736,681 tCO_2e.

In 2022, we also introduced two Scope 3 categories to our reporting scope which are material to our business: Business Travel (Category 6) and Employee Commuting (Category 7). The associated tables and charts highlight our emissions by category as well as year-on-year trends where available. Increases between 2021 and 2022 were driven by an increase in sourcing of raw materials to build more resilience within our supply chain and to support our growth.

During 2022, we began to engage with suppliers to better understand their commitment to carbon emission reduction and identify opportunities to reduce our Scope 3 footprint. Through our partnership with the global sustainability ratings agency, EcoVadis, we continue to improve visibility and understanding of emissions associated with our value chain. Moving forward, we will be accelerating our supplier engagement process.

Assurance of Scope 1, 2 and 3 emissions data

EcoAct was engaged by Hikma to provide independent third-party reasonable verification of its direct (Scope 1) and indirect (Scope 2 and selected Scope 3) GHG emissions, as detailed in this report. Based on the data and information provided by Hikma and the processes and procedures followed, it is EcoAct's verification opinion that the following GHG emissions totals are fairly stated and free from material error.

Verified emissions by EcoAct include:

- Scope 1 emissions – Combustion of gaseous fuels (natural gas, diesel, petrol and LPG) – Fugitive refrigerant gases
- Scope 2 emissions – Purchased electricity consumption (location and market-based)
- Scope 3 emissions – Emissions including Scope 3 Category 3: Fuel & Energy Related Activities not included in Scope 1 or Scope 2 (FERA), Category 5: Waste generated in operations (including water), and Category 7: Employee commuting.

For external assurance of the remaining Scope 3 categories (Category 1: Purchase of goods and services, Category 2: Capital goods, Category 4: Upstream transportation and distribution, and Category 6: Business Travel), we worked with an external third party, Sievo Oy, to assess our carbon footprint for these categories. Sievo has contracted Ernst & Young (EY) under a 'limited assurance engagement', as defined by International Standards on Assurance Engagements 3000 (ISAE 3000) to report on the methodology and the emission factors used behind 'CO_2 Analytics' tool (the Tool) as of 21 January 2022.

The full verification statements can be found here **www.hikma.com/sustainability**.

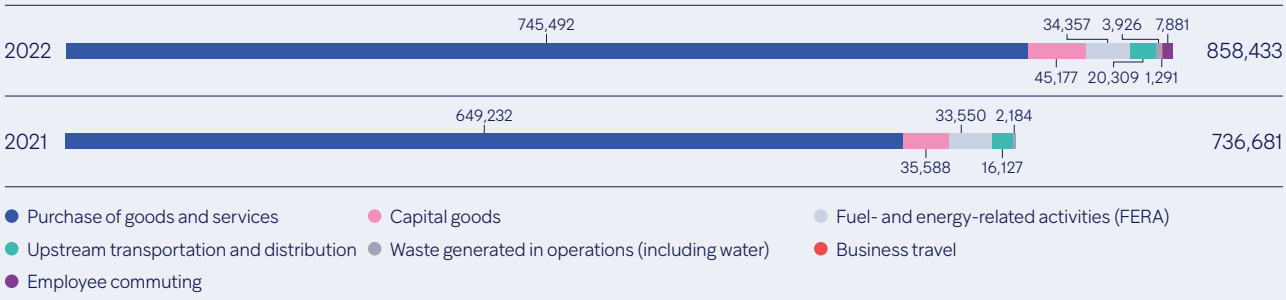
We continue to refine and improve how we monitor and manage our emissions"

GHG emissions, Scope 3 (tCO_2e)

Scope 3 category	Category description	tCO_2e 2021	**tCO_2e 2022**
1	Purchase of goods and services[1]	649,232	745,492
2	Capital goods[1]	35,588	45,177
3	Fuel & energy related activities not included in Scope 1 or Scope 2[2]	33,550	34,361
4	Upstream transportation and distribution[1]	16,127	20,309
5	Waste generated in operations (including water)[2]	2,184	3,926
6	Business travel[1]	N/A	1,291
7	Employee commuting[2]	N/A	7,881
	Total[3]	736,681	**858,437**

1. Limited assurance of the Sievo Oy CO_2 analytics module and methodology by EY. The full assurance statement can be found at www.hikma.com/sustainability
2. Reasonable assurance of the data through EcoAct. The full assurance statement can be found at www.hikma.com/sustainability
3. Total for 2021 excludes Categories 6 and 7 as these were not part of our reporting boundary at the time

GHG emissions, Scope 3
(tCO_2e)



Sustainable supply chain

In 2022, we launched a dedicated Supplier Code of Conduct, which sets out the standards we expect from all our suppliers, including fundamental standards on human rights, modern slavery and sustainability.

Through our partnership with EcoVadis, we are improving our understanding of the sustainability of our supplier base, including suppliers that make up 39% of our annual spend. Working with EcoVadis in 2022, we have begun to identify potential sustainability-related risks in our supply chain. In addition, we have completed several supplier engagement meetings with key suppliers to address the risks flagged during our sustainability assessment and gain insight into their commitments regarding carbon emissions reduction. These actions are helping us to better understand our Scope 3 emissions.

Moving forward, we will be accelerating supplier engagement to enhance our understanding of the sustainability of our supplier base, raise awareness around GHG emissions, and work to identify opportunities to reduce our Scope 3 footprint.

Water and waste management

The use of water and the management of waste are critical for the pharmaceutical manufacturing process and we have policies and practices in place to ensure we manage both effectively and in compliance with laws and regulations.

Following our assessment of water-related risks across all of our locations in 2021, we began a deep dive analysis for our facilities located in water-scarce areas, starting with Jordan. Through this study, we identified opportunities across our multiple facilities in Jordan to improve how we monitor and consume water. We also continue to improve the way in which we monitor and manage our waste. We are actively measuring the amount of hazardous and non-hazardous waste generated through our operations.

More information about water and waste management will be included in our 2022 Sustainability Report.

All that we do is underpinned by our commitment to the highest standards of quality. We believe in building trust by acting with integrity and upholding high ethical standards.

Upholding ethical standards and acting with integrity

Ethics and compliance

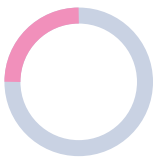
Hikma is committed to upholding the highest ethical standards in the conduct of its global business operations. This is grounded in our values: innovative, caring, and collaborative.

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

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

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

In 2022, we completed the implementation of the automated third-party risk management system, RiskRate, through which all existing and new third-parties with whom we do business are entered and monitored continuously for potential risks. The third-party risk management programme uses a set of risk evaluation criteria to place third parties into high, medium and low-risk categories. High-risk third parties are subject to enhanced due-diligence processes.



> The health and safety of our patients is at the heart of what we do."

Product quality and safety

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

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

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

Pharmacovigilance is monitored at the highest levels of our business and is included in our enterprise risk management process, which is overseen by the Executive Committee and the Board on a regular basis.

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

Our marketed products (either manufactured by Hikma or outsourced through partners) comply with Current Good Manufacturing Practices (CGMPs). We implement quality oversight on our suppliers, partners and sub-licensors to ensure that these stakeholders are in full compliance with regulatory standards and Hikma requirements. Quality Agreements are in place to focus on the compliance to CGMPs and define each party's responsibilities. Risk-based CGMP audits are also conducted on suppliers by our global quality team and other reputable third-party consultants.

Governance of sustainability

The Board of Directors have overarching oversight of our ESG strategy. This builds upon the work of our board committees that have responsibility for certain elements of our ESG work streams. Our Executive Vice President of Strategic Planning and Global Affairs, who is a member of the Executive Committee and reports directly to the CEO, leads on the implementation of this strategy. We have also established various executive-level committees to ensure effective management and oversight of our most material ESG topics.

We conducted a materiality assessment in 2021 to prioritise ESG issues with the greatest importance to our business and our stakeholders. We continue to align our ESG strategy to these priorities and focus on those issues that we determine to be most relevant.

Our aim is to continue refining our materiality assessments and to strengthen how ESG issues are managed at a management level, and across functions.

> The Board of Directors have overarching oversight of our ESG strategy."

3.2

This year, our FTSE4Good Index score was 3.2, placing us in the 64th percentile compared to other industry peer members

Maintaining our membership of the FTSE4Good Index

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

The FTSE4Good evaluates companies' effectiveness in addressing and disclosing issues such as human rights, anti-corruption, environmental performance, health and safety, and community engagement. Their assessments are used by a wide variety of market participants to develop responsible investment funds and other products.

In 2022, we maintained our ESG score of 3.2, placing us in the 64th percentile compared to industry peers that are listed in the index. We continue to improve how we address and disclose information about our most relevant ESG topics.

Aligning with the TCFD recommendations

We are including disclosures that are consistent with the Task Force for Climate-related Financial Disclosures (TCFD) recommendations.

In accordance with Listing Rule LR 9.8.6 (8) we are including disclosures that are consistent with the TCFD recommendations, recognising that we will continue to improve our implementation of the recommendations, especially in the area of strategy resilience and metrics and targets. We considered the TCFD's All Sector Guidance. This section summarises our progress as of 31 December 2022 against the four TCFD pillars and 11 recommendations. We are fully aligned to nine and partially aligned to two recommendation(s), as set out in the table on page 56–57.

Governance

Board level oversight

Our Board of Directors has overarching oversight of our TCFD strategy, including our climate-related risks and opportunities. In 2022, we conducted an externally facilitated ESG workshop for our Board that was also attended by our Executive Committee. The aim of the workshop was to improve the Board's understanding of ESG related issues in preparation for setting ESG related performance measures and targets in the proposed Remuneration Policy. The workshop also raised awareness of key topics within Hikma's Acting Responsibly framework see pages 38 and 39.

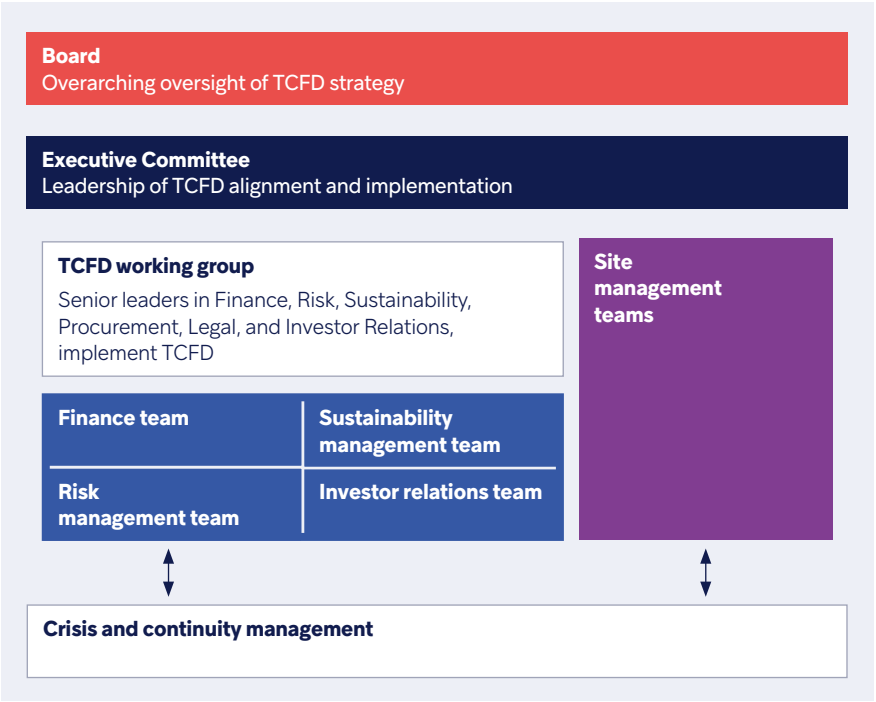
The Board has ultimate responsibility for the Group's approach to risk management and internal control. The Audit Committee oversees risk management and internal control activities with delegated authority from the Board. Twice a year, the Audit Committee is provided an update on principal and emerging risks and environment and climate-related matters are included in the scope of these updates.

Management level leadership

Our TCFD working group, with senior managers from Group Risk Management, Procurement, Finance, Sustainability and Investor Relations, is leading our internal cross-functional efforts to integrate the TCFD recommendations into our business. Our Executive Vice President (EVP) of Strategic Planning and Global Affairs, who reports directly into our CEO, leads these internal cross-functional efforts. The working group, which we started in 2021, meets on a regular basis with external consultant support, with the objective of progressing our understanding of the materiality of Hikma's climate-related risks and opportunities and developing action plans.

In addition, our crisis and business continuity teams work closely with members of the TCFD working group and provide valuable insight into the potential impact of climate-related risks on our operations.

In 2023, we will work to enhance the frequency and scope of our reporting of climate-related progress to the Board, supported by the Executive Committee and TCFD working group. In general, we will focus on strengthening the governance of ESG, including climate change, at all levels of the organisation.



Strategy

CSA methodology

In order to identify Hikma's climate-related risks and opportunities over the short, medium and long-term, we have undertaken, with third party support, a Climate Scenario Analysis (CSA) and financial impact assessment.

The CSA assessed a range of potential climate risks and opportunities across different climate scenarios and time horizons using reference climate scenarios, as outlined in the Representative Concentration Pathways (RCP) and the Shared Socioeconomic Pathways (SSPs). These scenarios were characterised as Low Carbon/ Early Transition (1.5°C), Low Carbon/Late Transition (2°C) and High Carbon/No Additional Action (4°C).

Through this analysis, the following climate-related risks and opportunities were selected for further modelling (see pages 54 to 55 for details):

- Carbon pricing impacts on our supply chain
- Physical impacts on our facilities
- Water stress
- Investor preference change
- Energy pricing changes and our energy strategy

We then considered the materiality of these climate-related risks.

Resilience of our strategy
For the time horizon to 2030, we measured the financial impact of these risks to be immaterial under both the Low Carbon/Late Transition and High Carbon/No Additional Action scenarios. While the potential financial impact was higher in the Low Carbon/Early Transition scenario, we assigned a low probability to this scenario.

For the time horizon to 2050, the financial impact of these risks and opportunities increases, especially in the Low Carbon scenarios. Given that the assumptions in these scenarios do not consider mitigating actions on the part of Hikma, our suppliers, or governments, for example, and cover time horizons well beyond our current business planning, we determined that these risks currently do not have a material financial impact on the Group.

In 2023, we will refresh our findings from the 2021/2022 CSA. We recognise that climate-related risks will continue to develop over a significantly longer period and believe that we will be able to adapt our strategy and respond appropriately to emerging climate-related risks that could have a material impact on the Group in the future. Where we identify any areas for improvement, we will build clear action plans and ownership to address these gaps and ensure our long-term resilience.

Risk management

Process for identifying and assessing climate-related risks
We identify and assess climate-related risks using a range of approaches. We periodically conduct risk identification and assessment exercises as part of the enterprise risk management process with all risk owners across the business (see pages 60–61 for details on our risk processes). The outcomes of these reviews feed into the TCFD Working Group's assessment of the most relevant climate-related risks for Hikma. The TCFD working group monitors relevant current and emerging regulation, market risks, reputational risks and acute and chronic physical risks. Although technology risks (substitution of existing products by lower emissions options) and legal litigation risks are currently not deemed relevant in relation to climate change impacting Hikma, they are continuously monitored.

In 2022, we engaged a different third party to review our CSA work conducted thus far and our efforts to align with the TCFD recommendations. The conclusion of this review was that Hikma's current CSA process has strong alignment to the TCFD CSA Technical Guidance, has a well-developed TCFD response and clear year-on-year improvement, with clear management processes in place to assess climate risk, and that we conducted a robust CSA exercise to identify risks, using public data and projections. In 2022, we updated our flood risk modelling to include key suppliers in our supply chain and we developed our initial qualitative water stress model. In 2023, we will reassess our other CSA work and continue to build our water stress model.

Integrating risk management processes
Climate-related risks are identified, assessed, and managed by teams across the organisation, depending on the nature of the risk. Our risk management framework (see page 60) provides a structure for significant risks to be escalated and integrated into our enterprise risk management process.

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

- Longer-term viability assessment: environment and climate change related risks included in the scenario modelling (see page 68)
- Crisis and business continuity management programme: site assessments of physical risks and controls ()see page 65)
- TCFD alignment is considered as part of the Reputation Principal Risk.
- In addition, climate change occurrence is monitored as an Emerging risk.

CSA outcomes
The following climate-related risks and opportunities were selected for further modelling based on their strategic importance to Hikma, and data availability for modelling. The CSA process helped us better understand the potential financial impacts of these risks and opportunities, which will be considered in our strategic planning where relevant.

Aligning with the TCFD recommendations
continued

Physical risks (Acute) Physical impacts on our facilities

Focal question: What would be the impact of extreme storms and extreme flooding on our facilities and operations?

Why is it important?
Given our geographical spread across many regions we have varying levels of exposure to physical risks of climate change in our different locations. Our analysis of the physical impact of climate change on our facilities focused on the impact of storms and floods.

The impact of storms

Scenario: NOAA and Bank of England Early Action Scenario (1.5°C, based off NGFS Net-Zero 2050, Late Action Scenario (2°C, based off NGFS Delayed Transition), No Additional Action Scenario (4°C, based off NGFS Current Policies)

Timeframe: Baseline out to 2050

Methodology
We used data from the ThinkHazard database, the National Hurricane Centre and the National Oceanic and Atmospheric Administration portal to determine climate- risk exposure baselines. A financial impact matrix was developed with degrees of asset and inventory loss or damage, and the length of operational shutdown was assumed based on the qualitative and quantitative narrative for each storm category as they aligned to the Saffir-Simpson Hurricane Wind Scale.

Impact
The modelling of the increasing risk of storms causing damage to our facilities, as well as disruption to our operations, shows that we have limited direct exposure to these acute risks in a future 1.5°C and well-below 2°C world. However, as the risk increases under a No Additional Action scenario where global warming exceeds 3°C there is some potential risk for our facilities.

The impact of floods

Scenario: IPCC RCP4.5 (~2.4°C), IPCC RCP8.5 (4°C)

Timeframe: Baseline and 2050

Methodology
Hikma sites and key supplier sites were screened for both pluvial and coastal flood risk using the Aqueduct Flood Hazard Maps. In addition, a 15 km radius around Hikma sites was screened for indirect pluvial flooding risk.

The initial screening was run at the least likely, but most impactful, return period (1 in 1000 year flood). For sites taken through to the next stage, the models were run at decreasing return periods (1 in 500 year, 1 in 100 year, 1 in 50 year) to find the lowest return period that produces an impact. Financial modelling was conducted using asset value and potential disruption to a site. The financial impact was determined using the following data: financial impact = inventory cost + asset damage + (internal) operational disruption + (external) operational disruption.

Impact
No material financial impact was detected from flooding in the scenarios used.

Mitigation of extreme weather events
With the insights from our modelling and understanding that these risks are not significant to our sites at this stage, we will continue to engage with our operational facilities teams in the highest risk regions to ensure our business continuity and recovery processes are fit for purpose.

Physical risk (Chronic) Water stress – assessment in progress

Focal question: Are our activities geographically exposed to water stress?

Scenario: IPCC SSP2 RCP4.5, SSP2 RCP8.5 and SSP3 RCP8.5

Timeframe: 2030 and 2040

Why is it important?
Given that water is a vital ingredient in our products, as well as in our manufacturing processes, we consider water stress a risk. Water stress occurs when demand exceeds the available amount of good quality water during a certain period.

Methodology
In 2022, we qualitatively modelled water stress. We used a radius of 10 km of our locations as well as for our key suppliers, using the Aqueduct Model database. The model divided water demand over water supply to determine a % of water stress.

Impact
The exposure ratings showed us that some of our sites are in areas experiencing water stress in our baseline scenarios and future projections.

Continuation
In 2023, we will continue to analyse to what extent these exposure ratings have an impact on our sites now and in the future and if mitigation actions are required.

Transition risk (Market) Carbon pricing impacts on our supply chain

Focal question: What would be the impact of carbon pricing on raw materials costs?

Scenario: NGFS Net-Zero 2050 (1.5°C), NGFS Delayed Transition (2°C)

Timeframes: Baseline out to 2050

Why is it important?
We looked at projected carbon pricing in different regions and the potential pass-on costs that could occur within our supply chain, increasing our overall Group costs. As Active Pharmaceutical Ingredients (APIs) and packaging materials are some of our most energy- and carbon-intensive sourced commodities, these materials would likely be most impacted, resulting in increased raw material costs and lower profit margins for Hikma.

Methodology
We started our analysis by creating a packaging baseline by multiplying the weights of our materials (eg vials, bottles) by Eco-Invent emission factors. This baseline, for both spend (in US dollars) and net emissions, was combined with our growth projections.

Impact
Taking into account the quantitative findings of the financial modelling, the low likelihood of certain assumptions and the potential for mitigating actions, we determined that carbon pricing impacts on our supply chain are not material at this stage.

Mitigation
In addition, we see opportunities to mitigate this risk over the period. We routinely look at ways to manage our procurement costs and offset price increases. We have a sustainable procurement programme in place to better understand the carbon impact of the goods and services we purchase. As a key mitigation strategy, we intend to engage with our key material suppliers to understand their carbon reduction objectives, and the activities they are undertaking to move to renewable energy and increase energy efficiency in their operations. Through supplier engagement, we expect to be able to partially mitigate the impact of carbon cost pass-through in the future.

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

Transition risk (Reputation)
Investor preference change

Focal question: How might changes in investor preferences around ESG impact our market valuation?

Scenario and timeframe: Due to lack of publicly available scenarios addressing investing in ESG assets, Hikma created an investment model with differing assumptions for an Early Action (smooth) transition, Late Action (disruptive) transition and No Action scenarios.

Why is it important?
As key stakeholders, investors are increasingly evaluating companies on their performance against ESG metrics.

Methodology
We modelled the potential impact on our market valuation, from investor allocations shifting away from assets which do not meet ESG requirements and from decreasing ESG benchmark ratings.

Mitigation
Hikma currently engages and communicates with investors on ESG-related matters, including climate. By ensuring we continue to strengthen and communicate our climate and sustainability ambitions and performance, this risk is mitigated.

Transition risk (Technology) and Opportunity (Energy Source)
Energy pricing changes and our energy strategy

Focal question: What might be our exposure to energy pricing changes?

Scenario: NGFS Net-Zero 2050 (1.5°C), NGFS Delayed Transition (2°C)

Timeframes: Baseline out to 2050

Why is it important?
We modelled multiple scenarios to understand how we can mitigate changes in energy prices and enhance our energy strategy over time. In addition to pricing sensitivities, we considered different energy mixes in our different regions and achievement of different energy efficiency goals.

Methodology
We modelled multiple opportunities to understand how we mitigate and enhance our energy strategy over time, including different energy mixes in our different regions and achievement of different energy efficiency goals.

Impact
Hikma's energy costs may change due to energy pricing volatility driven by grid decarbonisation. At the same time, different energy opportunities could help reduce exposure to energy pricing change, as well as the impact on Hikma's carbon footprint.

Mitigation
In addition, we are also reviewing various strategic opportunities to reduce our energy risk and carbon impact by changing our energy mix, setting an energy strategy, and reducing our overall demand through efficiencies. In 2022, we continued to monitor our energy use as well as our progress against our emissions reduction target. We continued to develop our energy transition plan to meet that target, and we will continue to do so in 2023.

Metrics and targets

Metrics to assess climate-related risks and opportunities
We are measuring and managing our carbon footprint including Scope 1, Scope 2 and Scope 3 as well as our use of renewable electricity (either purchased or generated on-site), our energy consumption and our emissions intensity. Also, we measure and manage our water consumption, water discharge and our water treatment, and our hazardous and non-hazardous waste generation and management. These metrics are helping us better understand and monitor the impact of these risks.

We are disclosing our environmental sustainability data including historical data and calculation methodologies in our Sustainability section, page 46–49.

In addition, as part of our Principal Risk management, we are monitoring our performance against external ESG ratings.

We have also linked progress towards our climate-related programmes to executive remuneration. Included in the Vice-Chairman's performance target for 2022 was the responsibility to review the Group's ESG strategy for the MENA region with a particular emphasis on the division's emissions and impact on the environment. In 2023, the Remuneration Committee will tie executive remuneration to interim GHG emission reduction and water management targets.

In 2023, we will reassess the findings of our 2021/2022 exercise on climate-related risks and the financial impact thereof and we will continue to develop and improve the metrics by which we monitor these risks and capture opportunities, as well as the effectiveness of our controls.

Disclosures of Scope 1 and 2 targets
Hikma put in place a target to reduce Scope 1 and 2 GHG emissions by 25% by 2030, using a 2020 baseline. An overview of our progress against our emissions reduction target and metrics on our energy consumption can be found on page 46-47.

Aligning with the TCFD recommendations
continued

Compliance statement

Governance

	Summary	Alignment	Action in 2023	Reference
a) Describe the board's oversight of climate-related risks and opportunities	The Board has ultimate responsibility for the Group's approach to risk management and internal control and receives updates on a regular basis. Climate-related risks are considered to be an emerging risks on our risk register.	Aligned	There is an opportunity to improve on the effective use of metrics to monitor climate-related issues by the Board, Executive Committee and TCFD working group.	Page 52
b) Describe management's role in assessing and managing climate-related risks and opportunities	Our TCFD working group leads an internal cross-functional effort to integrate the TCFD recommendations into our business. These efforts are overseen by our EVP Strategic Planning and Global Affairs, who sits on the Executive Committee.	Aligned	A newly established Environmental Committee chaired by two members of the Executive Committee will oversee our climate-related action plans.	Page 51

Strategy

	Summary	Alignment	Action in 2023	Reference
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Through our climate scenario analysis (CSA), we identified potential climate-related risks related to carbon pricing, energy pricing, water stress, physical impacts on our facilities and investor preference changes. A detailed description of these risks can be found on page 54–55.	Aligned	We will consult with external experts to support the continued assessment of climate-related risks and opportunities using climate science databases and scenarios.	Page 54–55
b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.	For the time horizon to 2030, we consider the financial impact of our climate-related risks to be immaterial.	Aligned	We will increasingly incorporate climate-related risks and opportunities into our strategy, operations and planning. Working with our operational teams and third parties in 2023. we will enhance our management of emissions, water and waste.	Page 53
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The results of our CSA show that climate change is not expected to have a material impact on the Group's current strategy or financial viability for the time horizon to 2030 and under the most likely climate scenarios. The results of our climate scenario modelling analysis (CSA) can be found on page 54–55.	Aligned	In 2023, we will refresh our financial impact modelling and will continue to assess the materiality of climate change impact to Hikma's operations.	Page 53

Risk management

	Summary	Alignment	Action in 2023	Reference
a) Describe the organisation's processes for identifying and assessing climate-related risks.	We conducted a risk identification and assessment exercise as part of the enterprise risk management process with all risk owners across the business. The outcomes served as input to the TCFD Working Group's assessment of the most relevant climate-related risks for Hikma.	Aligned	As part of the enterprise risk management process, we will continue to assess on a regular basis the most relevant climate-related risks for Hikma.	Page 53
b) Describe the organisation's processes for managing climate-related risks.	Climate-related risks are identified, assessed, and managed by teams across the organization. Hikma's risk management framework provides a structure for significant risks to be escalated and integrated into the enterprise risk management process.	Aligned	In 2023, we will refresh climate-related risks and the financial impact thereof.	Page 53
c) Describe how processes for identifying, assessing and managing climate-related risk are integrated into the organization's overall risk management	The risk governance framework provides structure to ensure consistency of approach, alignment to the risk appetite and monitoring of our risk exposure across the organisation. We regularly review TCFD alignment as part of our enterprise risk management process, where climate change is characterized as an Emerging Risk.	Aligned	As part of the enterprise risk management process, we will continue to assess on a regular basis the most relevant climate-related risks for Hikma.	Page 52

Metrics and Targets

	Summary	Alignment	Action in 2023	Reference
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metrics used to assess our climate-related risks and opportunities include Scope 1, 2 and 3 emissions, electricity consumption, emissions intensity, water consumption and waste generation. For more details, see page 46–49.	Aligned	We will continue to strengthen our monitoring metrics and mitigation controls over the coming year.	Page 46–49
b) Disclose Scope 1, Scope 2 and if appropriate, Scope 3 GHG emissions and the related risk	Energy consumption is highly linked to Hikma's sustainability strategy. We are actively working to reduce our energy consumption, and therefore our GHG emissions, while at the same time growing our business and manufacturing footprint. Any increase in energy costs or the introduction of carbon pricing present potential risks to our business. Details of our GHG emissions in 2022 (Scope 1, Scope 2 and a number of Scope 3 categories) can be found on page 47, 49.	Partially Aligned	We will continue to take action to improve our measurement, monitoring and reduction of Scope 1,2 and 3 emissions. We will continue to analyse Scope 3 categories that are relevant but not yet calculated.	Page 47, 49
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	We are targeting to reduce our Scope 1 and 2 GHG emissions by 25% by 2030, using a 2020 baseline. In 2022, we did not have interim targets and we did not have targets related to Scope 3.	Partially aligned	In 2023, interim targets will be adopted and linked to executive remuneration.	Page 123

Risk management

Image

Our operator in Portugal loading vials into the packaging machine.

Risk management

In 2022, risk management and internal control drove simplification and increased confidence in risk response strategies.

Risk management framework

Risk context

Our purpose is to put better health within reach, every day for healthcare professionals and their patients. We bring patients across North America, MENA and Europe a broad range of generic, specialty and branded pharmaceutical products.

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

Find out more about the internal and external context for risk management for the Group in the 'Our strategy' (on pages 8–9), 'Our business model' (on pages 10–11) and 'Our markets' (on pages 16–17).

Risk strategy

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

Risk appetite

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

Risk governance

The Board has ultimate responsibility for the Group's approach to risk management and internal control. The Audit Committee oversees risk management and internal control activities with delegated authority from the Board.

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

Internal audit provides independent assurance of the Group's internal control environment. For more details on our internal audit approach see page 89.

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

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

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

As part of the risk governance framework, senior executives are assigned responsibility for specific principal risks. These global risk owners coordinate risk management

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

Risk management and internal control occurs across the organisation

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

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

activities across the organisation with support from management teams to ensure risk exposure is managed appropriately and in line with the risk appetite.

Risk management activities

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

The Group risk management function coordinates regular risk assessments to review management of risks we already know about, and to identify, analyse and evaluate new and emerging risks. These assessments are consolidated through the Group risk management function and reported to the Executive Committee by the global risk owners.

Compliance and internal control functions, and internal audit, also conduct regular formalised risk assessments in relation to their mandates.

Summarised reports and key outcomes of risk assessments are reviewed as appropriate by management teams, the Audit Committee and Board.

In addition to the core reporting processes described, various other risk management activities occurred during the year.

Risk management in practice
Our ability to effectively manage risk enables delivery of our objectives. To ensure we are action-oriented in managing threats and opportunities we categorise our risks considering significance of exposure and the opportunity for management action.

An example of our risk management in practice is seen in the 'Managing impacts of inflation' case study on the next page.

Strategic risks
Group level strategic risk assessments are conducted by the Executive Committee and Board of Directors with a formal review on an annual basis to consider threats and opportunities related to our strategy from internal and external perspectives and over various time horizons.

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

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

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

We scan for emerging risks in a wide array of domains, including macroeconomic, geopolitical, social, technological and regulatory. We focus our emerging risk assessments and monitoring according to likelihood, impact and velocity.

Independent assessment of risk management programme
In 2022, an independent assessment of the Hikma ERM programme was performed by an external consulting firm, Satarla. The exercise was requested by the Audit Committee, in line with good practice, to evaluate our approach to ensure it is suitable for our organisation, and to identify opportunities to make improvements. The review assessed that the ERM activities are sufficient to meet the regulatory requirements of the Financial Reporting Council and are aligned with the guidelines and principles from international standards and best practice. Opportunities to enhance the ERM programme were suggested to further the ERM maturity level and these are being incorporated into the strategic plan for the Group risk management function.

Internal control activities
Compliance and internal control functions across the Group continued to develop and manage internal control systems, frameworks and processes for their areas of focus as part of risk mitigation strategies, to meet internal and external expectations, and to ensure compliance with regulator requirements.

Priorities for 2023
In 2023 we will further strengthen the quantitative analyses that support enterprise risk management assessments and continue to strengthen our internal control systems, frameworks and processes.

We will continue to develop connections and partnerships between compliance and internal control functions, and external groups to bring greater assurance for the Group.

We will further develop sustainability and climate-related risk assessments alongside our alignment with the recommendations from the Task Force on Climate-related Financial Disclosures (see pages 52–57 for more details).

Risk management and internal control activities in 2022

- Reviewed the risk management framework, risk appetite, principal and emerging risks
- Monitored enterprise-wide key risk indicators aligned to risk appetite to assess risk exposure
- Commissioned an independent assessment of the enterprise risk management programme
- Refined scenario modelling approach for significant risk events, including climate-related threats
- Conducted fraud risk assessment exercise across the Group
- Developed and rolled out enhanced standardised financial controls framework

Case study:

Managing impacts of inflation

The impacts of global inflationary pressures were felt by Hikma in 2022 in multiple categories including logistics, energy, wages, and raw and packaging materials.

Drivers and consequences

- **Logistics:** the compounding effects of various acute and ongoing disruptions including, the COVID-19 pandemic, conflict in Ukraine, constraints in global sea freight capacity and increases in fuel prices have led to significant pressure on logistics timelines and costs. The extended lead times for pharmaceutical goods requires significant and coordinated advance planning internally and with our business partners.
- **Energy:** electricity and fuel costs increased significantly in certain European countries due to the conflict in Ukraine and other geopolitical dynamics.
- **Wages:** as the global cost-of-living crisis developed, Hikma, like many organisations around the world faced pressures to attract and retain key talent.
- **Raw and packaging materials (RPM):** in general for our direct purchasing overall and at higher rates for certain specific categories of goods (eg excipients and packaging) as various factors, including those listed above, affected our suppliers.

Risk management response

We maintain tight control over our costs through our established management processes, including our rigorous budgeting and financial planning and analysis activities.

To manage the additional challenges posed by inflation in 2022, key functions were connected to consolidate our understanding of the drivers and consequences.

Internal and external sources were used to model the impact of inflation on various spend categories to inform our forecasts.

The teams accelerated existing tactical programmes to reduce exposure, and developed new strategies to increase longer-term resilience.

Example actions we took

- **Logistics:** Developed long-term relationships with freight forwarders and shipping companies to secure capacity.
- **Logistics:** Monitored global events to assess the potential impact on our suppliers' lead times, diligently updating our systems and adjusting delivery schedules.
- **Energy:** Continued to drive efforts to reduce energy consumption, progress opportunities to generate energy on-site and shift to more renewable sources of energy that are anticipated to be less exposed to global inflationary pressures.
- **Wages:** Ensured regular review and monitoring of our overall employee value proposition to mitigate the threat to attraction and retention.
- **RPM:** Identified goods that are critical to our manufacturing process to ensure we have adequate safety stocks to mitigate supply constraints.
- **RPM:** Continued efforts to build strong and trusted relationships with existing and new suppliers. In doing so, we were better able to weather the effects of inflation and maintain continuity of supply despite reactionary buying behaviours in the market.
- **RPM:** Developed data analytics processes to assess year-on-year evolution of purchasing prices for all procurement coded items. Measured and reported on a regular basis to inform decision-making and update our costing process to factor in known or expected price increases.
- **RPM:** Continued to secure dual sourcing for API and extended the programme to include excipients, glass and other items to strengthen supply continuity and create competitive advantage.

Outcome

Through these and various other actions we were able to absorb much of the increase in costs, minimising the impact on our business and demonstrating the strength and resilience of our underlying business.

> We continued to build strong and trusted relationships with our suppliers to help us weather the effects of inflation and maintain continuity of supply."

Principal risks and uncertainties

The Group faces risks from a range of sources that could have a material impact on our financial commitments and ability to trade in the future.

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

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

Effectively managing these risks is directly linked to the performance of our strategic KPIs (see pages 14–15) and the delivery of the strategic priorities outlined on pages 8–9. Our principal risks are set out below with examples of management actions that help to control the risk; the actions described do not include all actions taken by management.

Industry dynamics

Risk description	Management actions
The commercial viability of the industry and business model we operate may change significantly as a result of political action, economic factors, societal pressures, regulatory interventions or changes to participants in the value chain of the industry.	– Continued growth and expansion in existing markets and new geographic areas – Developed increased capacity and diversified through differentiated technology (eg addition of high-speed lines in Portugal and New Jersey, construction of Injectables plants in Algeria and Morocco) – Collaboration with external partners for development and in-licensing partnerships, including complex and differentiated areas (eg biosimilars in MENA) – Continuous alignment of commercial and R&D organisations to identify market opportunities and meet demand through internal portfolio – Active product life cycle and pricing management – Leveraging the quality, reliability and flexibility of our manufacturing facilities for partnerships (such as contract manufacturing) – Working with a broad range of customers and expanding our relationships to cover new customers and purchasing models

Product pipeline

Risk description	Management actions
Selecting, developing and registering new products that meet market needs and are aligned with Hikma's strategy to provide a continuous source of future growth.	– Reorganised R&D teams within business segments to improve alignment with business – Incorporated projects from Custopharm and Teligent Canadian asset acquisition to our pipeline – Continued to manage extractables and leachables for container closure systems risk profile in line with developing regulatory requirements through dedicated in-house laboratory and external partnerships – Bolstered pipeline through business development deals and established strategic partnerships to introduce new technologies in our regions – Continued to develop R&D expertise to develop complex generic products – Continued to leverage dedicated bioequivalence facility (IPRC) to support projects – Continued to develop synergies with Hikma Chemicals for supply of API for R&D

Organisational development

Risk description	Management actions
Developing, maintaining and adapting organisational structures, management processes and controls, and talent pipeline to enable effective delivery by the business in the face of rapid and constant internal and external change.	– Implemented succession plans following departure of executives through reorganisation, restructuring and regular communication – Continued to advance our diversity, equity and inclusion programme with global and local initiatives – Further standardised HR processes through Group-wide human capital management system – Improved existing portfolio of learning solutions and introduced new learning paths for professional and mid-management employees – Continued our efforts to upscale leadership capabilities within senior management and first line managers through delivery of leadership development programmes – Developed a Guided Employee Development programme focused on the development of high-potential talent to be rolled out in the MENA region

Reputation

Risk description	Management actions
Building and maintaining trusted and successful partnerships with our stakeholders relies on developing and sustaining our reputation as one of our most valuable assets.	– Managed internal and external communications related to CEO transition – Internal and external monitoring and management of issues that may impact reputation – Leveraged our digital communication channels to engage external and internal stakeholders – Engaged on a regular basis with investors and analysts, including the attendance of conferences, hosting meetings with management and investor relations, and a site visit to our facility in Portugal – Deployed internal communication programmes to support employee engagement – Communicated our Acting Responsibly framework throughout the organisation (see pages 38–51) – Developing wider organisational ESG Governance structure, including establishment of dedicated cross-functional committees – Cross-functional working group continued to integrate environment and climate-related matters into the business – Continued to develop understanding of climate-related risks and opportunities (see pages 53–55) – Established and developed strategic industry and community partnerships

Ethics and compliance

Risk description	Management actions
Maintaining a culture underpinned by ethical decision-making, with appropriate internal controls to ensure staff and third parties comply with our Code of Conduct, associated policies and procedures, as well as all applicable legislation.	– Established continuous risk monitoring of existing third parties – Updated and refreshed various Corporate and local Compliance policies and procedures, including Travel and Entertainment, HCP interactions, Conflict of interest, Speak-Up, and Third party risk management – Strengthened Compliance department through continued development, training, and certifications – Prepared for International Organization for Standardization (ISO) certifications, including those related to: anti-bribery, whistleblowing management, and effective compliance management – Continued participation in international anti-corruption initiatives, including the Partnering Against Corruption Initiative (PACI) and the Business 20 Anti-Corruption Working Group

Information and cyber security, technology and infrastructure

Risk description	Management actions
Ensuring the integrity, confidentiality, availability and resilience of data, securing information stored and/or processed internally or externally from cyber and non-cyber threats, maintaining and developing technology systems that enable business processes, and ensuring infrastructure supports the organisation effectively.	– Continual assessment and enhancement of cyber controls to support business strategy and changing threat landscape, and in response to cyber security events detected that are related to Hikma – Established strategic IT continuity and disaster recovery programme – Strengthened security operations capabilities and expanded monitoring tools and systems – Expanded security team and partner services – Updated Global Information Security Policy and standards – Conducted information security incident response exercise aligned with Group Crisis Response team

Legal, regulatory and intellectual property

Risk description	Management actions
Complying with laws and regulations, and advising on their application. Managing litigation, governmental investigations, sanctions, contractual terms and conditions and adapting to their changes while preserving shareholder values, business integrity and reputation.	– Continuous assessment of developments in legal and regulatory frameworks and impact on the organisation – Continued to manage complex litigation activity related to the manufacture, sale, and distribution of opioid products – Developed and updated policies and procedures, including those related to dealing in shares and securities by employees, Persons Discharging Managerial Responsibility (PDMRs), directors and others; and the appointment of directors and officers to the Board of Hikma PLC subsidiaries – Provided oversight on pricing committees assessing price changes to ensure thorough assessment of business needs – Implemented controls and procedures to address risk of IP litigation in jurisdictions where Hikma markets its products – Continued to implement internal communication and training to raise awareness, ensure understanding and maintain a compliant culture across the organisation, including training on anti-trust and competition laws – Ongoing assessment and monitoring of general litigation activity in the US pharmaceutical environment – Engaged external counsel for independent specialist advice – Reviewed adherence to government pricing disclosure obligations in the US market

Inorganic growth

Risk description	Management actions
Identifying, accurately pricing and realising expected benefits from acquisitions or divestments, licensing, or other business development activities.	– Maintained a healthy pipeline of opportunities to achieve Hikma growth strategy – Extensive due diligence of each acquisition in partnership with external support in order to strategically identify, value, and execute transactions – Extensive Board engagement to review major acquisitions proposed by the Executive Committee to ensure strategic alignment – Post-acquisition performance (financial and non-financial) monitored closely to ensure integration and delivery on business plan – Post-transaction reviews highlight opportunities to improve effectiveness of processes – Successfully integrated the acquisition of Custopharm in the USA and Teligent's Canadian assets – Continued to grow our biosimilar portfolio in MENA and the USA

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

Risk description	Management actions
Maintaining availability of supply, quality and competitiveness of API purchases and ensuring proper understanding and control of third-party risks.	– Maintained rigorous selection and qualification process for new API suppliers – Continued to secure API supply continuity through qualification of alternate sources (internal or external) and stocking strategies – Proactively managed inventory levels to avoid disruptions in supply chain and mitigate impact from inflation (eg strategic buy, increased inventory level) – Continuous focus on building long-term supply contracts and strategic partnerships – Increased local presence in key API markets (eg China and India) for R&D and commercial sourcing to secure preferred access to capacity and innovation – Realigned R&D procurement team by business segments to increase focus, alignment and speed – Fully automated due diligence screening process for onboarding and continuous monitoring of third parties – Launched a dedicated global Supplier Code of Conduct – Assessing our main suppliers on sustainability performance through partnership with global ratings agency

Crisis and continuity management

Risk description	Management actions
Developing, maintaining and adapting capabilities and processes to anticipate, prepare for, respond and adapt to sudden disruptions and gradual change, including natural catastrophe, economic turmoil, cyber events, operational issues, pandemic, political crisis, and regulatory intervention.	– Responded to disruptive events with values-led decision-making, prioritising the protection of the health and safety of our employees and patients – Continued to embed our crisis and continuity management (CCM) programme – Reviewed and refreshed business impact analyses and business continuity plans for all manufacturing sites, incorporating assessments of climate-change related threats – Coordinated IT Continuity and Disaster Recovery assessments at all manufacturing sites and key IT locations – Reviewed and upgraded site emergency response arrangements and capabilities across our facilities – Delivered instructor-led training to employees across the organisation to develop our resilience capability – Continued to develop a CCM community of practice to develop expertise across the Hikma network – Developed regional subject matter experts to identify and coordinate multi-site enhancement initiatives

Product quality and safety

Risk description	Management actions
Maintaining compliance with current Good Practices for Manufacturing (cGMP), Laboratory (cGLP), Compounding (cGCP), Distribution (cGDP) and Pharmacovigilance (cGVP) by staff, and ensuring compliance is maintained by all relevant third parties involved in these processes.	– Hikma Quality Council provides oversight and shares best practice across the Group – Quality and safety culture driven throughout the organisation by global initiatives and regularly reinforced by communication from senior executives – Continuous monitoring and assessment of potential contaminants in drug products (eg nitrosamines, penicillins, non-penicillin beta-lactams, monobactams) – Facilities maintained as inspection-ready for assessment by relevant regulators – Continuously improved documented procedures and conducted regular staff training – Oversaw cGMP compliance of third parties supplying APIs, raw materials, packaging components and other GMP services – Continuous monitoring of the safety of products to detect any change to risk-benefit – Global pharmacovigilance programme in place supported by globalised systems – Strengthened teams to respond to changing pharmacovigilance requirements, particularly in MENA – Consolidated pharmacovigilance and medical affairs departments to bring together relevant expertise – Fully integrated global product database with hikma.com to provide accurate and timely product information – Continued to provide governance through cross-functional Drug Safety Committee

Financial control and reporting

Risk description	Management actions
Effectively managing income, expenditure, assets and liabilities, liquidity, exchange rates, tax uncertainty, debtor and associated activities, and reporting accurately, in a timely manner and in compliance with statutory requirements and accounting standards.	– Initiated transformation project to automate order to cash – Completed automation of various finance processes, including financial statements close (for the US) and credit management – Embedded data mining methods to enhance financial compliance monitoring activities – Conducted enterprise-wide fraud risk assessment exercise – Developed and rolled out enhanced standardised minimum standard set of controls for finance and related processes – Developed enhanced CAPEX monitoring and approval processes

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

Going concern and longer-term viability

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

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

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

The Executive Committee assesses the future strategic positioning of Hikma as a company in the context of the changing macroeconomic and healthcare environment. Aspects of this analysis are shown in 'Our markets' (see pages 16–17).

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

Financial position
The going concern and longer-term viability assessments are based on the financial position (as at 31 December 2022):

- net cash flow from operating activities was $530 million
- overall net debt was $1,013 million (1.5 times core EBITDA)
- available borrowing capacity is $1,311 million of committed undrawn long-term facilities (see Note 29 of the Group consolidated financial statements on page 175). These facilities are well-diversified across the subsidiaries of the Group and are with a number of financial institutions

Financial covenants are suspended while the Group retains its investment grade status from two rating agencies[1]. Nevertheless, the covenants are monitored and the Group was in compliance on 31 December 2022 and expects to remain in compliance with those covenants for the year ending in December 2023 even in the severe but plausible downside scenarios. As of 31 December 2022 the Group's investment grade rating was affirmed by S&P and Fitch.

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

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

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

Going concern

For the purposes of assessing the going concern position the base case and a forecast including severe but plausible downside risks were analysed over a period longer than 12 months from the date of signing the financial statements.

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

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

Longer-term viability

Viability period
The longer-term viability of the Group is assessed for a period longer than for the going concern analysis. The longer-term viability assessment was conducted for a period of three years, ending on 31 December 2025. This is the timeframe for acquisitions and business development opportunities to become integrated into our business, and for pipeline products to contribute as marketed products. Our forecasts are more accurate in the near term than in the long term and this limitation also applies to our viability assessments.

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

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

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

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

Our assessments show that Hikma is resilient to downside risk scenarios

- **Scenario 7:** Climate change (ER): Disruption through extreme weather events was assessed with storms and flooding events impacting certain facilities resulting in property damage and business interruption (see also our disclosures related to climate change on pages 52–57)
- **Scenario 8:** Information and cyber security, technology and infrastructure (PR): Impacts of a cyber attack affecting endpoints and ERP systems were modelled with potential loss of sales, general business interruption, and response and remediation costs

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

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

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

The outcome of these various quantitative and qualitative assessments leads management to believe that Hikma is resilient to downside risk scenarios. This is largely as a result of our financial position (in particular our strong balance sheet and low levels of debt) and is supported by the fact that our business is well-diversified through geographic spread, product diversity, and large customer and supplier bases. Further details are provided in the 'Our Strategy' (pages 8–9), 'Our business model' (pages 10–11), and 'Our markets' (pages 16–17).


Fluticasone Propionate
Nasal Spray USP
50 mcg
For Intranasal Use
℞ only
WEST-WARD

Non-financial disclosures

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

	Summary	Further information and policies
Our business model	– Our diversified business model allows us to respond to the many opportunities and risks we face, while delivering value for our stakeholders	– Our business model, pages 10–11
Principal risks	– Our risk management framework is designed to ensure we take a comprehensive view of risk. This includes financial and non-financial risks that may impact our business and stakeholders	– Risk management, pages 60–66
Environmental matters	– We are committed to making our operations more energy efficient and environmentally responsible – We continue to improve the way we monitor our impacts, pursuing projects that reduce our environmental footprint – We have put in place a target to reduce our Scope 1 and 2 GHG emissions by 25% by 2030, using a 2020 baseline – We are aligning our internal processes and our public disclosures are consistent with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations – Board-level oversight of environmental sustainability – Environmental matters are incorporated in our risk management framework – We promote environmental sustainability in our supply chain	– Protecting the environment, pages 46–49 – GHG emissions reduction target, page 46 – Climate-related risks and opportunities and their impact, pages 53–55 – Supplier Code of Conduct[1]
Employees	– Our employees have always been at the heart of everything we do. As the driving force behind Hikma's growth and success, our people are our most valuable asset – We are committed to investing in the development of our workforce and in protecting their health and safety. We have c.8,800 employees across North America, MENA, Europe and ROW	– Stakeholder engagement: Employees, page 19 – Empowering our people, pages 44–45 – Code of Conduct[1] – Upholding ethical standards and acting with integrity, pages 50–51 – Group Environmental, Health and Safety Policy Statement[1] – Principal risk: Organisational development, page 63

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

	Summary	Further information and policies

Social matters	– In all of our markets, we work to meet social needs locally and improve lives. We have developed programmes in key areas to address social challenges:
	  – providing better health
	  – supporting education
	  – helping people in need
	– Where our activities relate to other social matters, we seek to understand the perspective of all stakeholders, determine our role and make clear our position based on our values and purpose
		– Stakeholder engagement, pages 18–23
		– Advancing health and wellbeing, pages 40–43
		– Addressing drug shortages in the US[1]
		– Animal testing position[1]
		– Principal risk: Reputation, page 64

Respect for human rights	– We respect and uphold the principles of the Universal Declaration of Human Rights both within Hikma and across our value chain – We object in the strongest possible terms to the use of any of our products for the purpose of capital punishment	– Upholding ethical standards and acting with integrity, pages 50–51 – Code of Conduct[1] – Supplier Code of Conduct[1] – Modern slavery act policy statement[1] – Use of products in capital punishment[1] – Principal risk: Reputation, page 64
Anti-bribery and corruption	– Our Compliance, Responsibility and Ethics Committee (CREC) leads our efforts to strengthen anti-bribery and corruption (ABC) policies and manage associated risks – As a publicly-listed company on the London Stock Exchange (LSE), we abide by the regulations of the UK Listing Authority. We operate in compliance with the UK Bribery Act 2010, the Foreign Corrupt Practices Act (FCPA) as well as local laws and regulations	– Upholding ethical standards and acting with integrity, pages 50–51 – Code of Conduct[1] – Supplier Code of Conduct[1] – Principal risk: Ethics and compliance, page 64 – Compliance, Responsibility and Ethics Committee report, pages 93–94
Non-financial KPIs	– We monitor the position, performance and impact of Hikma across a wide range of financial and non-financial KPIs. Non-financial KPIs are used to measure progress towards our strategic priorities (pages 14–15), our exposure to risks (pages 63-66), and are in place in other areas throughout the organisation as part of Hikma's long-term sustainable growth strategy and our commitment to helping people and improving the communities in which we operate	– GHG emissions reduction target, page 46 – Minimising our impact on the planet, pages 46–49 – Employees enablement and engagement, page 15 – Audit Committee report, pages 89–92 – Compliance, Responsibility and Ethics Committee report, pages 93–94

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

Said Darwazah
Executive Chairman and Chief Executive Officer

22 February 2023

Corporate governance

Image

Production Technician at our Columbus Ohio facility donned in appropriate personnel protective equipment (PPE) during a cleaning/ sanitisation routine of a cleanroom.

Executive Chairman's overview

We are committed to high standards of transparency in corporate governance reporting and work hard as a Board to provide strong and stable leadership, supported by our corporate governance framework.

Said Darwazah
Executive Chairman and
Chief Executive Officer

Dear Shareholders

2022 has been an eventful year for our Board. Strong performances in our Injectables and Branded businesses, including the completion of two strategic acquisitions, were offset by the impact of challenging market conditions on our Generics business. There were changes to our Board composition, including the resignation of our Chief Executive Officer (CEO). The Board has worked hard to provide strong and stable leadership throughout the year to ensure our overall approach to corporate governance continues to be effective, supported by our corporate governance framework.

CEO succession

As of 24 June 2022, Siggi Olafsson stood down as CEO and from Hikma's Board of Directors. On behalf of the Board, I would like to thank Siggi for his leadership and the progress he made driving strategic momentum across our businesses. In order to ensure continuity in the delivery of Hikma's strategy, the Board agreed that I, as Executive Chairman and former CEO, would step in and assume all CEO responsibilities on a temporary basis while the Board initiated a search to identify and appoint a new CEO.

> We are proud of our Board diversity. 45% of our Board are women and 27% are from minority ethnic backgrounds.

The search for a new CEO is ongoing and an update will be provided when an appointment is made. Further detail on the CEO search process is included on page 86.

Board and Committee composition

As planned, we took steps in 2022 to refresh the Board and prepare for future succession. Following the retirement of Dr Pamela Kirby at the conclusion of our Annual General Meeting (AGM) in 2022, Nina Henderson became Chair of the Remuneration Committee. Nina is an experienced member of Hikma's Remuneration Committee, having served as a member since 2016. Nina is also Remuneration Committee Chair for IWG PLC and Chair of the Human Resource Compensation Committee for CNO Financial Inc. (NYSE).

We were also delighted to welcome Laura Balan, Victoria Hull and Dr Deneen Vojta as Independent Non-Executive Directors during the course of October and November 2022. This resulted in a number of changes to our committee memberships; the Audit Committee welcomed Laura and Victoria as members; the Compliance, Responsibility and Ethics Committee welcomed Deneen as a member; the Nomination and Governance Committee welcomed Victoria and Deneen as members; and the Remuneration Committee welcomed Laura as a member. Together these new appointments bring refreshed insights to the Board and its Committees, strengthening our knowledge of the global healthcare industry, investor sentiment, the UK listed environment and M&A. As has been our practice for several years, we aim to give new Directors time to understand the culture, history and operations of Hikma before undertaking additional responsibilities, so in line with our plans for the future composition of the Hikma Board, Victoria will be appointed Senior Independent Director and assume the role of Chair of the Nomination and Governance Committee, following the AGM in April 2023.

Board diversity

When making new appointments to the Board in 2022, the Board was mindful of shareholder feedback following our AGM in 2022 where we received significant votes against (defined as above 20% under the UK Corporate Governance Code (the Code)) resolution 8 for the re-election of Patrick Butler, Senior Independent Director and Chair of the Nomination and Governance Committee. The Board understood that the level of significant votes against resolution 8 was because the level of women represented on the Board fell from 30% to 22% at the conclusion of the 2022 AGM, significantly below the gender diversity target set by the Hampton-Alexander Review and our own Board gender diversity target. The reduction in women represented on the Board followed the retirement of Dr Pamela Kirby at the 2022 AGM, which the Board had previously envisaged would happen in 2023, and had accordingly based its succession planning on an expected retirement date in 2023.

During the year, the Board, assisted by its Nomination and Governance Committee, accelerated our plans to raise the level of women represented on the Board. The appointments of Laura, Victoria and Deneen bring the level of women represented on our Board to 45%, exceeding the new gender diversity target set by the Listing Rules and ahead of the FCA's implementation timetable for years beginning on or after 1 April 2022.

As a Board we have always taken diversity seriously, and in December 2022 we refreshed our Board Diversity Policy to bring our targets in line with the gender and ethnic diversity targets set by the Listing Rules, the FTSE Women Leaders Review and the Parker

Review. We are proud to report that we meet the targets set for gender and ethnic diversity at the Board and will meet the target for a senior Board position to be held by a woman following the AGM in April 2023, when Victoria Hull will be appointed as Senior Independent Director. As part of the review of our Board Diversity Policy, the Board agreed to report early against the new diversity disclosures under the Listing Rules, with further detail included on pages 77 and 127. The Board Diversity Policy is available on our website at **www.hikma.com**.

We acknowledge that diversity targets should be set beyond the Boardroom, and have adopted the voluntary target set by the FTSE Women Leaders Review, to increase the gender diversity of the leadership team (Executive Committee and senior direct reports) from 29% (at 31 December 2022) to a minimum of 40% women by the end of 2025. We are pleased to report that our Remuneration Committee have integrated this target into the performance measures for our proposed Remuneration Policy, further detail is included on pages 123 and 124.

Board practices

2022 saw the return of regular in person meetings for the Board and its Committees. During 2022 we met in person for four of our eight scheduled meetings, recognising significant benefits in terms of social cohesion, innovation, development and also as a conscious effort for the important process of onboarding our new directors. For our other four scheduled meetings and for all additional/unscheduled meetings, we met virtually or with a hybrid approach of in person and virtual and saw significant benefits in terms of time efficiency, availability and focus. We intend that the Board will continue to operate a hybrid approach to meetings for the foreseeable future, bringing together the benefits of each of these approaches.

ESG

Early in 2021, we determined that our Board of Directors would have overarching oversight of our ESG strategy and associated reporting. This builds upon the work of our Board Committees that have responsibility for certain elements of our ESG work streams. Further information on our ESG strategy and disclosures is available on pages 37 to 57.

Our Remuneration Committee has adopted performance measures relating to Greenhouse Gas emissions and water usage in the proposed Remuneration Policy for Executive Directors (the proposed Remuneration Policy), further detail is included on pages 123 and 124.

Employee engagement

For engagement with the workforce, as defined under provision 5 of the Code, Nina Henderson is our designated Independent Non-Executive Board member. Nina undertakes an active programme of engagement each year which helps ensure that employee perspectives are considered when undertaking Board and Committee business and, outside of our Executive Directors, ensuring that the Board is visible amongst our colleagues. The engagement programme is organised by the CEO and Nina formally reports to the Board on her findings at each meeting.

This year's activities included participation in:

- Attendance at the Injectables leadership team meeting in March, held in Cherry Hill, NJ. The visit was organised by Riad Mishlawi. This provided an opportunity to meet with a cross functional team, brainstorm strategic opportunities, and meet new employees
- Attendance at the HR leadership team meetings in June, held in Amman, Jordan. The visit was organised by Majda Labadi and provided an opportunity to discuss performance evaluations, change management and talent development
- A site visit to the Columbus, OH manufacturing facility to meet with employees in August. This visit was organised by Brian Hoffman and provided an opportunity to discuss the Generics business with employees and, at management's request, participate in Town Halls with employees from sales, marketing, manufacturing and research and development
- Meetings with employee resource groups focused on gender in Amman (Jordan), Cherry Hill (NJ) and Columbus (OH) and an African American group in Cherry Hill (NJ)

The above activities enabled Nina to communicate with employees on remuneration matters where appropriate.

Further detail on our employee engagement activities, is included in our section 172 statement on pages 18 to 23.

Stakeholder engagement

During the course of 2022, the Board undertook a detailed shareholder consultation exercise to gain shareholder feedback and input on the proposed Remuneration Policy. The shareholder consultation exercise was led by our Remuneration Committee Chair, Nina Henderson, and supported by our Senior Independent Director, Patrick Butler. Nina and Patrick met with our largest shareholders, representing 48% of the voting rights of our issued share capital, and proxy advisory agencies. The aim of the shareholder consultation was to explain the proposed Remuneration Policy and gain shareholder perspective and input. The proposed Remuneration Policy will be put to shareholders for approval at our AGM in April 2023. Further details on the shareholder consultation exercise and the proposed Remuneration Policy are included on pages 23 and 95.

In addition to the shareholder consultation on the Remuneration Policy, the Board undertakes significant efforts to understand and take account of the needs and perspectives of all of our stakeholders, including customers, suppliers, employees, investors and the communities in which we operate. Further detail including examples of the outcomes and actions of those stakeholder engagement activities, is included in our section 172 statement on pages 18 to 23. Information on our Supplier Code of Conduct is included on page 93.

On behalf of the Board, we look forward to leading the business on delivering our strategy for the benefit of all stakeholders in 2023. Fundamental to that delivery is our focus on continuing to operate effective corporate governance practices.

Said Darwazah
Executive Chairman and Chief Executive Officer

Corporate governance at a glance

Key Board activities in 2022

Strategy review
- Approved the launch of our sterile injectable compounding business in the US, bringing the high-quality systems of a major pharmaceutical manufacturer to the niche compounding market
- Built on our strategic partnership with Celltrion, including signing exclusive licensing arrangements to commercialise Yuflyma™ (adalimumab) and CT-P43 (ustekinumab) in all of our MENA markets. These arrangements strengthen our offering of biosimilar and innovative biologic products and help us increase patients' access to important medicines
- Completed the acquisitions of Custopharm and the Canadian assets of Teligent, enhancing our R&D capabilities, product portfolio and pipeline, and strengthening our presence in the US and Canadian injectables markets
- Oversaw further investment in our speciality business and the development of our leading position as one of the largest US providers of nasally administered medicines

ESG focus
- Participated in an externally facilitated ESG workshop to review Hikma's material ESG priorities and explore ways to advance our progress in these areas in preparation for setting ESG related performance measures and targets in the proposed Remuneration Policy. The workshop also raised awareness of key topics within Hikma's Acting Responsibly framework (Hikma's approach to ESG), further information is included on pages 37 to 57

Board refreshment and succession planning
- Commenced the search for a new CEO, following the departure of Siggi Olafsson, appointing Said Darwazah on an interim basis until a permanent successor was identified
- Appointed three Non-Executive Directors, increasing independent representation on the Board from 60%[1] to 73%[2] and female representation from 30%[1] to 45%[2]
- Agreed the timing for the transition of responsibilities and succession of Victoria Hull as Senior Independent Director and Chair of the Nomination and Governance Committee following our AGM in April 2023
- Appointed Nina Henderson as Remuneration Committee Chair from the conclusion of the AGM in 2022, following the retirement of Dr Pamela Kirby

Performance review
- Revised our Generics forecasts as a result of the impact of challenging market conditions and provided updates to our stakeholders

Financial projects
- Completed the $300 million share buyback programme to reduce the share capital of Hikma
- Completed the re-organisation of Hikma's balance sheet to convert the non-distributable merger reserve of $1,746 million to distributable reserves, making it available for future dividend payments and potential share buybacks

1. At 31 December 2021
2. At 31 December 2022

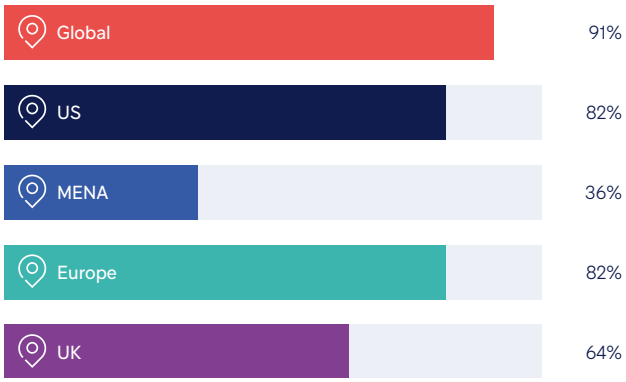
Board experience

Percentage of the Board with direct experience in the following areas:

Board priorities for 2023

- Complete the induction programmes for our new Non-Executive Directors
- Complete the search for a new CEO and prepare for the handover of responsibilities. Further detail on the CEO search process is included on page 86
- Review governance structure once the new CEO is in post to ensure it remains robust and the proper division of responsibilities once the roles of Chair and CEO are no longer combined
- Implement agreed actions from the 2022 Board evaluation. Further detail on the Board evaluation is included on page 88
- Plan our annual strategic review meeting, ensuring it includes opportunities for Board development and employee engagement

Board geographical experience



Attendance

Directors	Meetings attended (8 scheduled and 1 unscheduled)	%
Said Darwazah	9/9	100%
Siggi Olafsson[1]	2/2	100%
Mazen Darwazah	9/9	100%
Patrick Butler	9/9	100%
Ali Al-Husry	9/9	100%
Dr Pamela Kirby[2]	1/1	100%
John Castellani	9/9	100%
Nina Henderson	9/9	100%
Cynthia Flowers	9/9	100%
Douglas Hurt	9/9	100%
Laura Balan[3]	3/3	100%
Victoria Hull[4]	2/2	100%
Dr Deneen Vojta[4]	2/2	100%

1. Siggi Olafsson stood down as CEO and retired from the Board on 24 June 2022
2. Dr Pamela Kirby retired from the Board and relevant Committees on 25 April 2022
3. Laura Balan joined the Board on 1 October 2022
4. Victoria Hull and Dr Deneen Vojta joined the Board on 1 November 2022

Board composition

	31 December 2022	after 2023 AGM
Executive Chairman and Chief Executive Officer	**9%**	9%
Other Executive Directors	**9%**	9%
Non-Independent NED	**9%**	18%
Independent NED	**73%**	64%

2022

After 2023 AGM

In compliance with Provision 11 of the Code, when excluding the Chairman, the Independent Non-Executive Directors represent 80% of the Board as at 31 December 2022 and 70% of the Board after the AGM in April 2023 once Patrick Butler is no longer considered independent under the Code.

Independent Director tenure (as at 31 December 2022)

	Number	%
0–3 years	4	50%
4–6 years	2	25%
7–9 years	2	25%

Board agenda allocation of time

	2022	2021
Corporate governance	**9%**	10%
Financial performance	**14%**	13%
Performance and operations	**30%**	11%
Risk	**3%**	5%
Strategy and acquisitions	**44%**	60%

2022

2021

Diversity by gender and ethnicity (as at 31 December 2022)

Board

Women	5 (45%)
Men	6 (55%)

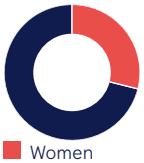
Minority ethnic[1]	3 (27%)
White[1]	8 (73%)

Executive Committee

Women	2 (22%)
Men	7 (78%)

Minority ethnic[1]	6 (67%)
White[1]	3 (33%)

Combined Executive Committee and senior direct reports[2]



Women	22 (29%)
Men	53 (71%)

Executive Committee senior direct reports[2]

Women	20 (30%)
Men	46 (70%)

Group

Women	3,058 (35%)
Men	5,745 (65%)

Hikma subsidiary company directors

As required by the Companies Act 2006, the composition of our subsidiary company boards is 46 men and 11 women.

1. Relates to Board and Executive Committee members who identify with one of the relevant categories under Listing Rule 9, Annex 2
2. People reporting to members of the Executive Committee (excluding administrative roles)

Leadership – Board of Directors

1

2 C N

3 A C N R

4

5 A C R

6 A C N R

1. Said Darwazah

Executive Chairman and Chief Executive Officer

Appointed: 1 July 2007

Joined Hikma: 1981

Nationality: Jordanian

Experience: Said served as Chief Executive Officer from July 2007 to February 2018 and as Executive Chairman since May 2014. Said was Chairman and Chief Executive of Hikma's group holding company from 1994 to 2003 and Minister of Health for the Hashemite Kingdom of Jordan from 2003 to 2006. Said has over 40 years of experience in extensive leadership roles at Hikma.

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

Other appointments: Chairman of Royal Jordanian Airlines and Dead Sea Touristic & Real Estate Investments. Vice Chairman of Capital Bank, Jordan. Board member of INSEAD and Dash Ventures Limited.

2. Mazen Darwazah

Executive Vice Chairman, President of MENA

Appointed: 8 September 2005

Joined Hikma: 1985

Nationality: Jordanian

Experience: Mazen is responsible for the strategic and operational direction of the business across the MENA region. During his 38 years of service at Hikma, Mazen has held an extensive range of positions within the Group. He has previously served as the President of the Jordanian Association of Manufacturers of Pharmaceuticals and Medical Appliances.

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

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

3. Patrick Butler

Senior Independent Director

Appointed: 1 April 2014 as Non-Executive Director (Senior Independent Director from December 2020)

Nationality: Irish

Experience: Patrick brings experience of strategy implementation, integrating acquisitions, performance improvement and detailed financial knowledge, gained through his executive and non-executive career. Patrick was a Senior Director at McKinsey & Co for 25 years, where he focused on advising large corporations in the EU, US and MENA on strategic, acquisition and organisational issues. Patrick has previously served as a Non-Executive Director of Bank of Ireland Group PLC and was a partner at The Resolution Group.

Qualifications: Chartered Accountant and a Fellow of the Institute of Chartered Accountants in Ireland. First-class honours degree in Commerce and postgraduate diploma in Accounting and Corporate Finance from University College Dublin.

Other appointments: Chairman of Aldermore Group PLC. Non-Executive Director of The Ardonagh Group Limited and Res Media Limited. Trustee of the Resolution Foundation.

4. Ali Al-Husry

Non-Executive Director

Appointed: 14 October 2005

Joined Hikma: 1981

Nationality: Jordanian

Experience: Ali joined Hikma as Director of Hikma Pharma Limited and held various management and leadership roles within the Group, before stepping into an advisory role in 1995. Ali brings great financial experience to the Board as well as an in-depth knowledge of the MENA region and Hikma Pharmaceuticals. Ali was a founder of Capital Bank, Jordan, and served as CEO of Capital Bank, Jordan until 2007.

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

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

5. John Castellani

Independent Non-Executive Director

Appointed: 1 March 2016

Nationality: American

Experience: John brings experience of the pharmaceutical and biotechnical sectors, business ethics, and political and regulatory knowledge to the Board. John was President and Chief Executive Officer of Pharmaceutical Research and Manufacturers of America (PhRMA) from 2010 to 2015. Prior to that he was President and Chief Executive of Business Roundtable, an association of leading US company chief executives. During his career John has also held senior positions with Burson-Marsteller, Tenneco, and General Electric.

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

Other appointments: Director of 5th Port.

6. Nina Henderson

Independent Non-Executive Director

Appointed: 1 October 2016 (Employee Engagement from 2019)

Nationality: American

Experience: Nina brings extensive experience of manufacturing and distribution, marketing, remuneration committee and stakeholder engagement, gained through her executive and non-executive career. Nina was Corporate VP of Bestfoods and President of Bestfoods Grocery prior to its acquisition by Unilever. During a 30-year career with Bestfoods, she held a wide variety of Global and North American executive general management and marketing positions. Nina has previously served as a director of Royal Dutch Shell, AXA Financial, The Equitable Companies, DelMonte, Pactiv and Walter Energy.

Qualifications: Honours graduate and BSc from Drexel University.

Other appointments: Non-Executive Director and Remuneration Committee Chair of CNO Financial Group Inc and IWG PLC. Director of the Foreign Policy Association, St. Christopher's Hospital for Children and VNS Health. Commissioner of the Smithsonian National Portrait Gallery. Vice Chair of the Board of Trustees, Drexel University.

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

7 (A) (N) (R)

8 (A) (C) (N) (R)

9 (A) (R)

10 (A) (N)

11 (C) (N)

12

7. Cynthia Flowers

Independent Non-Executive Director

Appointed: 1 June 2019

Nationality: American

Experience: Cynthia brings detailed knowledge of the pharmaceutical and biotechnical sectors and healthcare practitioner experience to the Board. Cynthia was President and CEO of the North American divisions of the global pharmaceutical companies Ipsen and Eisai, and also held leadership positions at Amgen and Johnson & Johnson. For nearly a decade Cynthia served on the Women's Leadership Advisory Board at Harvard University's Kennedy School of Government.

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

Other appointments: Non-Executive Director of Lisata Therapeutics Inc. Non-Executive Director and Remuneration Committee Chair of G1 Therapeutics Inc. Member of an angel investment group associated with the University of North Carolina.

10. Victoria Hull

Independent Non-Executive Director

Appointed: 1 November 2022

Nationality: British

Experience: Victoria has extensive senior executive experience across a broad range of business, legal, commercial and governance matters and strong international experience. In her executive career, Victoria was an Executive Director and General Counsel of Invensys plc and Telewest Communications plc. Victoria is a solicitor and began her career at Clifford Chance LLC. Victoria also served as Senior Independent Director of Ultra Electronics plc and Non-Executive Director of RBG Holdings PLC.

Qualifications: Solicitor, LLB (Hons) in Law from the University of Southampton.

Other appointments: Non-Executive Director and Chair of the Remuneration Committee of Network International Holdings plc, Alphawave IP Group plc and IQE plc.

8. Douglas Hurt

Independent Non-Executive Director

Appointed: 1 May 2020

Nationality: British

Experience: Douglas brings significant financial experience, having served as Finance Director of IMI PLC from 2006 to 2015. Prior to this, he held a number of senior finance and general management positions at GlaxoSmithKline PLC, previously having worked at Price Waterhouse. His career has included several years working in the US as a Chief Financial Officer and significant experience in European businesses as an Operational and Regional Managing Director. Douglas previously served as Senior Independent Director and Chairman of the Audit Committee of Tate & Lyle plc and as Chairman of Countryside Partnerships PLC.

Qualifications: Chartered Accountant and a Fellow of the ICAEW, MA (Hons) in Economics from Cambridge University.

Other appointments: Senior Independent Director and Chair of the Audit Committee of Vesuvius PLC. Non-Executive Director and Chair of the Audit Committee of BSI.

11. Dr Deneen Vojta

Independent Non-Executive Director

Appointed: 1 November 2022

Nationality: American

Experience: Deneen is a healthcare executive with extensive experience in clinical medicine, scientific research, and care delivery. Deneen was the Executive Vice President for Research and Development for UnitedHealth Group (UHG) and Founder and CEO of MYnetico which was then acquired by UHG. She also served as Chief Medical Officer of ARIA Health Care System and Health Partners of Philadelphia. In 2022, Deneen was named a Modern Healthcare's Top Innovator, in 2014, she was an Emmy® Award winner and in 2013, a CES® Innovation Design & Engineering Innovation Honoree.

Qualifications: MD from theTemple University School of Medicine and BS in Behavioral Neuroscience from the University of Pittsburgh.

Other appointments: President of Health Solutions and Innovation at TurningPoint Healthcare Solutions. Non-Executive Director of Sensei Biotherapeutics. Member of the governance boards of Children's Minnesota and Workit Health, and advisory board of The Center for Health Incentives & Behavioral Economics at Penn Medicine.

9. Laura Balan

Independent Non-Executive Director

Appointed: 1 October 2022

Nationality: Romanian and British

Experience: Laura brings a deep understanding of international business, the pharmaceutical industry globally, key sector trends and dynamics. Laura is a recently retired partner of The Capital Group Companies, the US investment manager, where she was an investment analyst for 17 years, covering the European healthcare and pharmaceutical industries. Prior to this, Laura held associate and analyst roles at The Goldman Sachs Group Inc, where she focused on European healthcare and pharmaceutical investment research.

Qualifications: CFA Charterholder, BA (Hons) in International Business from the Academy of Economic Studies in Bucharest, Romania.

Other appointments: Trustee of the Charter Schools Educational Trust.

12. Hussein Arkhagha

Chief Counsel and Company Secretary

Appointed: 15 June 2022

Joined Hikma: 2001

Nationality: Jordanian

Role: Hussein was appointed as Company Secretary in June 2022. He is responsible for advising on governance and listing related matters. Hussein is a member of the Executive Committee and holds the role of Chief Counsel at Hikma. Hussein established the global legal department and aligned its mission and strategy with those of Hikma. Hussein is a key member of the team that prepared for Hikma's IPO, in addition to Hikma's major acquisitions. Prior to his appointment as Chief Counsel, he held several positions at Hikma, including Head of Legal/MENA, Head of Shareholders' Department and Head of Tax. Hussein currently leads the Legal and Intellectual Property Department, in addition to Company Secretarial, Compliance, Medical Affairs and Pharmacovigilance.

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

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

Leadership – Executive Committee

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1. Said Darwazah

Executive Chairman and Chief Executive Officer

Joined: 1981

Nationality: Jordanian

For further biographical details please see page 78.

4. Khalid Nabilsi

Chief Financial Officer

Joined: 2001

Nationality: Jordanian

Role: Khalid was appointed as Chief Financial Officer in 2011 and is responsible for Group finance, including reporting and capital management. Khalid has held several leadership positions within Hikma's financial functions during 22 years with Hikma, including VP Finance.

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

7. Majda Labadi

Executive Vice President, Organisational Development

Joined: 1985

Nationality: Jordanian

Role: Majda was appointed as EVP, Organisational Development in 2009 and has Group level responsibility for human resources. Majda has held several executive positions during 38 years with Hikma, including VP Injectables and VP MENA Operations.

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

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

2. Mazen Darwazah

Executive Vice Chairman, President of MENA

Joined: 1985

Nationality: Jordanian

For further biographical details please see page 78.

5. Brian Hoffmann

President, Generics

Joined: 2009

Nationality: American

Role: Brian has served as President of Hikma's Generics business since 2015. Brian has significant strategic and operational experience from leadership roles at Hikma and prior pharmaceutical and consulting roles.

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

8. Riad Mishlawi

President, Injectables

Joined: 1990

Nationality: Lebanese

Role: Riad was appointed as President of Hikma's Injectables business in 2011 and is responsible for all aspects of the Injectables division globally. Riad has significant pharmaceutical and operational experience from leadership roles at Hikma and Watson Pharmaceuticals.

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

3. Hussein Arkhagha

Chief Counsel and Company Secretary

Joined: 2001

Nationality: Jordanian

For further biographical details please see page 79.

6. Bassam Kanaan

Executive Vice President, Corporate Development and M&A

Joined: 2001

Nationality: Jordanian

Role: Bassam was appointed EVP, Corporate Development and M&A in 2014 and has Group level responsibility for strategic development, acquisitions and alliances. He also has oversight of the IT function and Hikma Ventures. Bassam has held several executive positions during 21 years with Hikma, including Chief Financial Officer in the period from 2001 to 2012. Bassam played a leading role in preparing for Hikma's IPO in 2005 and in its subsequent M&A activity.

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

9. Susan Ringdal

Executive Vice President, Strategic Planning and Global Affairs

Joined: 2005

Nationality: American

Role: Susan has served as EVP, Strategic Planning and Global Affairs since 2012 and is responsible for strategic planning, investor relations, communications, ESG, corporate affairs and business intelligence. Prior to joining Hikma, Susan worked for Alliance Unichem and Morgan Stanley.

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

Corporate governance

UK Corporate Governance Code compliance

Hikma is committed to high standards of corporate governance and we work hard to ensure compliance with the Principles and Provisions of the UK Corporate Governance Code (the Code) published in July 2018 and the Markets Law of the Dubai Financial Services Authority (the Markets Law). The report on pages 72 to 129 describes how the Board has applied the Code and Markets Law throughout the year ended 31 December 2022. The Board considers that this Annual Report provides the information shareholders need to evaluate how we have complied with our current obligations under the Code and Markets Law. Except as referred to in the following section on the Executive Chairman, Hikma has complied with all relevant Principles and Provisions of the Code throughout the year.

Executive Chairman

Provision 9 of the Code states that the chair should be independent on appointment when assessed against the circumstances set out in Provision 10. The roles of chair and chief executive should not be exercised by the same individual. A chief executive should not become chair of the same company. If, exceptionally, this is proposed by the board, major shareholders should be consulted ahead of appointment. The board should set out its reasons to all shareholders at the time of the appointment and also publish these on the company website.

Provision 19 of the Code states that the chair should not remain in post beyond nine years from the date of their first appointment to the board.

The Board acknowledges that Said Darwazah's position as Executive Chairman and CEO and his overall tenure as Director are departures from Provisions 9 and 19 of the Code. Each point is discussed in turn below:

- **Joint role of Executive Chairman and CEO:** since the resignation of Siggi Olafsson as CEO on 24 June 2022, the Board agreed that Said Darwazah, as former CEO, would step in and assume all CEO responsibilities while the Board initiated a search to identify and appoint a new CEO. This is a temporary measure designed to ensure continued drive and delivery of Hikma's strategy until a new CEO is appointed. Recognising the importance of robust governance arrangements during this time, we reviewed our delegated authorities to ensure that no one individual had unfettered powers of decision-making. On appointment of a new CEO, Said will relinquish all CEO responsibilities and resume the role of Executive Chairman, which will return the Hikma Board to a clear division of roles. Further detail on the CEO search process can be found on page 86
- **Executive Chairman and tenure:** the Executive Chairman role was created in February 2018, following the appointment of Siggi Olafsson as CEO. Previously, Said Darwazah was the Chairman and CEO. The Board considers that it is important to retain corporate memory, important relationships and the culture of the organisation. Therefore, it is valuable to retain Said's services in a strategic capacity.

The Board consulted shareholders prior to Said's appointment as Executive Chairman and CEO in May 2014 and following the change to the position of Executive Chairman in February 2018. The Independent Non-Executive Directors met as a group during 2022 to review the Board structure and concluded that the Executive Chairman role should continue.

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

- **Continuity of strategy:** Said has been a driving force behind the strategic success of the business since 2007 and the Board believes that it is important for the continued success of the Group that he remains in a strategic role. The Executive Chairman's role is to develop the Group's strategy in conjunction with the CEO. The division of responsibilities for our Executive Chairman and CEO are available on our website at www.hikma.com
- **Executive Chairman's role:** the Executive Chairman position is highly visible inside and outside Hikma, providing leadership to the Board and management of the Company, acting as an ambassador with business partners and advisers to the organisation
- **Business partners:** a significant number of Hikma's key political and commercial relationships across the MENA region, Asia and some continental European countries are built on the long-term trust and respect for the Darwazah family such that the role of the Executive Chairman remains key

UK Corporate Governance Code compliance
continued

The Board continues to operate the following enhanced controls:

- **Governance structure review:** the Independent Non-Executive Directors meet at least bi-annually in a private session chaired by the Senior Independent Director. This meeting includes consideration of the appropriateness of the governance structure, the division of responsibilities between the Executive Chairman and the CEO and safeguards for shareholders
- **Senior Independent Director role:** the Senior Independent Director has an enhanced role at Hikma, taking joint responsibility, with the Executive Chairman, for setting the Board agenda, agreeing action points and the minutes of the meetings
- **Committee Chair roles:** the Chairs of the Board Committees and the Director responsible for employee engagement, undertake a significant amount of work in the discharge of their responsibilities
- **Transparency and engagement:** Hikma has always had the highest regard for shareholders, with several of the original investors from before listing still investing and supporting Hikma today. Over the c.17 years since flotation Hikma has maintained the highest standards of shareholder engagement, which reflects the importance placed in maintaining strong investor relations and governance

The Board considers that the role of Executive Chairman is likely to continue for the medium term. Should shareholders require any further information relating to these matters, questions may be directed to the Company Secretary.

2022 AGM voting result

Provision 4, significant votes against an AGM resolution: at the AGM held on 25 April 2022 (2022 AGM), Hikma received significant votes (defined as above 20%) against resolution 8 for the re-election of Patrick Butler, Senior Independent Director and Chair of the Nomination and Governance Committee. Following feedback from shareholders prior to the 2022 AGM, the Board understood that the level of significant votes against resolution 8 was because the level of female representation on the Board fell from 30% to 22% at the conclusion of the 2022 AGM, significantly below the gender diversity target set by the Hampton-Alexander Review and our own Board diversity target. The reduction in female representation followed the retirement of Dr Pamela Kirby at the 2022 AGM, which the Board had previously anticipated would happen in 2023, therefore it could not have been foreseen and had based its succession planning accordingly.

In accordance with the requirements of Provision 4 of the Code:

- We provided additional information in our announcement of the AGM voting result on 25 April 2022, including feedback received from shareholders to understand the reasons behind the result and the actions we intended to take
- On 30 September 2022, we provided a further update within the six-month period prescribed by Provision 4 the Code on the actions taken since the 2022 AGM
- We included a final summary on pages 74 to 75 of this Annual Report on the impact the shareholder feedback had on the Board, including the appointments made to the Board during 2022 and the updates to our Board Diversity Policy in line with the new diversity related targets included in the Listing Rules. Further detail on the Board appointments made during 2022 and the updated Board Diversity Policy is available on pages 74 to 75 and 86 to 87. The new diversity disclosure under the Listing Rules is available on page 127. The Board Diversity Policy is available on our website at **www.hikma.com**

Independence

The Board reviews the independence of each of its Non-Executive Directors during the year as part of the annual corporate governance review, which includes consideration of progressive refreshment of the Board. We are committed to ensuring that the Board comprises a majority of independent Non-Executive Directors, who objectively challenge management, balanced against continuity on the Board. This is also important to meet the independence requirements of the Board Committees. The Board considers John Castellani, Nina Henderson, Cynthia Flowers, Douglas Hurt, Laura Balan, Victoria Hull and Dr Deneen Vojta to be independent. These individuals have extensive experience of international pharmaceutical, financial, corporate governance and regulatory matters, bring strong independent oversight, continue to demonstrate independence and were not associated with Hikma prior to joining the Board.

With effect from the AGM in 2023, the Board will no longer view Patrick Butler as an Independent Director. This is due to his total service with Hikma reaching nine years in April 2023, which Provision 10 of the Code identifies as a circumstance likely to impair or could appear to impair independence. Following the AGM in 2023 and to preserve the independence of our Board, Patrick will step down as Senior Independent Director, Chair of the Nomination and Governance Committee and will step down as a member of any Board Committee requiring fully independent membership under the Code. The Board has asked Patrick to stay on the Board as a non-independent, Non-Executive Director for one further year, stepping down no later than the AGM in 2024 to allow time to aid the transition to a new CEO and to fully support the transition of responsibilities as Senior Independent Director and Chair of the Nomination and Governance Committee to Victoria Hull. The Board also believes Patrick continues to bring a number of benefits to the Board and our shareholders:

- bringing stability and cohesion to the Board during this transitional time as we induct three new Non-Executive Directors and conclude the search for a CEO
- remaining very active in his role, taking initiative and posing challenging questions to management
- despite no longer being considered independent under the Code, Patrick continues to conduct himself with independent thought and judgement, provides constructive challenge to management and has no conflicts of interest

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

Culture

During 2020, following engagement with our colleagues and a thorough review of our culture by the Board, we introduced a new set of corporate values which focused on being caring, innovative, and collaborative. These values build on our founder's vision of Hikma as a company with high ethical standards, where our people thrive in a supportive environment. In the Boardroom, we are reminded of our values regularly and are guided by them when making decisions and engaging with the Executive Committee and employees.

Indicators of culture reviewed by the Board and its Committees:

- reviewing the volume and nature of whistleblowing reports and outcome of any investigations
- internal audit reports and findings, as attitudes to regulators and internal audit can give an early indication of potential culture-related issues
- feedback reports on workforce engagement activities
- reviewing and monitoring compliance with our Code of Conduct
- receiving reports from the Compliance, Responsibility and Ethics Committee
- reviewing the results of our employee surveys

Further information on the Group's activities that relate to culture is available on pages 5 to 7 and 44 and 45.

Corporate governance report – committee overview

Nomination and Governance Committee

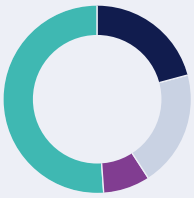
2022 highlights

- Appointed three new Non-Executive Directors to the Board, increasing female representation at the Board to 45%
- Agreed our timeline for the succession of the Senior Independent Director and Chair of the Nomination and Governance Committee
- Updated our Board Diversity Policy available on our website at **www.hikma.com**
- Early adoption of the new diversity related disclosures and targets under the Listing Rules

2023 priorities

- Manage the transition to a new Committee Chair and oversee the induction programmes for our new Non-Executive Directors
- Complete the CEO search, monitor the transition of responsibilities to the new CEO and ensure a thorough induction
- Manage the induction of new Committee members

Allocation of time



Corporate governance	21%
Independence	20%
Skills and experience	8%
Succession	51%

Members and attendance

Member	Meetings attended (4 scheduled and 2 unscheduled)	Attendance
Patrick Butler (Chair)[1]	6/6	100%
Mazen Darwazah	6/6	100%
Nina Henderson	6/6	100%
Cynthia Flowers	6/6	100%
Douglas Hurt	6/6	100%
Victoria Hull[2]	1/1	100%
Dr Deneen Vojta[2]	1/1	100%

1. Patrick Butler will step down as Chair of the Nomination and Governance Committee with effect from the close of the 2023 AGM to preserve the independence of the role of Chair of the Committee
2. Victoria Hull and Dr Deneen Vojta joined the Board and the Nomination and Governance Committee on 1 November 2022

The full Committee report is on pages 86 to 88.

Audit Committee

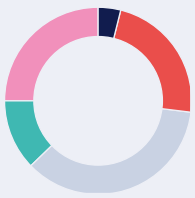
2022 highlights

- Completed the induction of the new senior statutory auditor
- Continued to monitor developments arising from the internal audit programme
- Engaged an external party to undertake an independent assessment of the Enterprise Risk Management programme
- Conducted a formal fraud risk assessment and approved the launch of a formal fraud prevention programme to prepare for upcoming changes in relation to Audit and Corporate Governance reform

2023 priorities

- Monitor developments and review processes and procedures to prepare for upcoming changes in relation to Audit and Corporate Governance reform
- Monitor and enhance our risk and internal audit programmes
- Manage the induction of new Committee members

Allocation of time



Corporate governance	4%
External audit	23%
Financial reporting	36%
Internal audit	12%
Risk and internal control	25%

Members and attendance

Member	Meetings attended (4 scheduled and 1 unscheduled)	Attendance
Douglas Hurt (Chair)	5/5	100%
Patrick Butler[1]	5/5	100%
Dr Pamela Kirby[2]	1/1	100%
John Castellani	5/5	100%
Nina Henderson	5/5	100%
Cynthia Flowers	5/5	100%
Laura Balan[3]	1/1	100%
Victoria Hull[4]	1/1	100%

1. Patrick Butler will step down as a member of the Audit Committee with effect from the close of the 2023 AGM to preserve the independence of the Committee under the Code
2. Dr Pamela Kirby stood down from the Board and the Audit Committee on 25 April 2022
3. Laura Balan joined the Board and the Audit Committee on 1 October 2022
4. Victoria Hull joined the Board and the Audit Committee on 1 November 2022.

The full Committee report is on pages 89 to 92.

Please visit our website to view the terms of reference for our Committees: **www.hikma.com**

Compliance, Responsibility and Ethics Committee

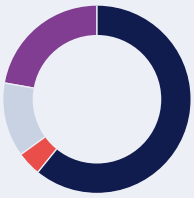
2022 highlights

- Continued to monitor and obtain independent reports on ABC compliance developments, our speak up programme, reporting lines and business integrity
- Implemented all recommendations following an external review of the ABC programme
- Updated our approach to international trade sanctions
- Continued delivering process enhancements
- Monitored the delivery of ethical and social responsibility aspects of our CSR programme

2023 priorities

- Assist with the delivery of the ethical and social responsibility aspects of our ESG programme
- Appoint a new Chief Compliance Officer (CCO) following the departure of our previous CCO at the end of 2022
- Review the delivery of process enhancements across our programmes
- Induction of new Committee members

Allocation of time



ABC governance	61%
Anti-trust, AML and trade sanctions	4%
Corporate governance	13%
ESG and CSR	22%

Members and attendance

Member	Meetings attended	Attendance
John Castellani (Chair)	5/5	100%
Siggi Olafsson[1]	2/2	100%
Mazen Darwazah	5/5	100%
Patrick Butler	5/5	100%
Dr Pamela Kirby[2]	1/1	100%
Nina Henderson[3]	4/5	80%
Douglas Hurt	5/5	100%
Dr Deneen Vojta[4]	2/2	100%

1. Siggi Olafsson stood down from the Board and the Compliance, Responsibility and Ethics Committee on 24 June 2022.
2. Dr Pamela Kirby stood down from the Board and the Compliance, Responsibility and Ethics Committee on 25 April 2022
3. Nina Henderson was unable to attend one meeting due to a pre-existing commitment
4. Dr Deneen Vojta joined the Board and the Compliance, Responsibility and Ethics Committee on 1 November 2022

The full Committee report is on pages 93 to 94.

Remuneration Committee

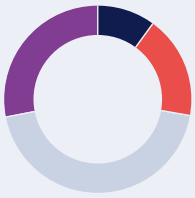
2022 highlights

- Undertook a detailed review of our Remuneration policy
- Undertook a shareholder consultation exercise on the proposed Remuneration Policy with our largest shareholders, representing 48% of the voting rights of our issued share capital, and proxy advisory agencies
- Agreed on the introduction of new performance measures in relation to ESG and financial performance
- Reviewed the approach to compensating senior management and the wider employee population

2023 priorities

- Implementation of the proposed Remuneration Policy, subject to shareholder approval
- Subject to shareholder approval of the plan rules, grant awards under our new share plans, whilst ensuring effective communications to employees
- Monitoring new performance measures in relation to ESG and financial performance

Allocation of time



Wider employee issues	10%
Corporate governance	18%
Developing practices	44%
Setting executive remuneration	28%

Members and attendance

Member	Meetings attended (6 scheduled and 5 unscheduled)	Attendance
Nina Henderson (Chair)	11/11	100%
Dr Pamela Kirby[1]	2/2	100%
Patrick Butler[2, 3]	10/11	91%
John Castellani[2]	10/11	91%
Cynthia Flowers[2]	10/11	91%
Douglas Hurt	11/11	100%
Laura Balan[4]	2/2	100%

1. Dr Pamela Kirby stood down from the Board and as Chair of the Remuneration Committee on 25 April 2022
2. Patrick Butler, John Castellani and Cynthia Flowers were unable to attend one unscheduled meeting due to a pre-existing commitment
3. Patrick Butler will step down as a member of the Remuneration Committee with effect from the close of the 2023 AGM to preserve the independence of the Committee under the Code
4. Laura Balan joined the Board and the Remuneration Committee on 1 October 2022

The full Committee report is on pages 95 to 124.

Nomination and Governance Committee

Letter from the Chair

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

Dear Shareholders

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

I will reach nine years' service with Hikma at the 2023 AGM and will stand down from the roles of SID and Chair of the NGC following that meeting. The Board has asked me to stay on as a non-independent, Non-Executive Director for one further year, stepping down no later than the 2024 AGM. This will allow time to support the transition to a new CEO and to fully support the transition of responsibilities as SID and Chair of the NGC to Victoria Hull, further detail is included on page 83. I am delighted that Victoria has agreed to be appointed as SID and Chair of the NGC following the 2023 AGM. Victoria and I have worked together closely since her appointment to the Board in November 2022 and I am pleased that I will be leaving the roles of SID and Chair of the NGC in safe hands.

Succession

The Committee oversees succession for both Executive and Non-Executive Directors. Below Board level, the Committee is responsible for ensuring that appropriate arrangements are in place for senior positions, including the Executive Committee.

Executive

As of 24 June 2022, Siggi Olafsson stood down as CEO and from Hikma's Board of Directors. The Board agreed that Said Darwazah, former CEO, would step in and assume all CEO responsibilities on an interim basis to ensure continuity and minimise disruption to the business, while a search was initiated to identify and appoint a permanent CEO.

The NGC appointed Heidrick & Struggles, an independent search firm with no other connection to Hikma or any of our Directors, to assist in identifying suitable candidates. Heidrick & Struggles also assisted with the search for Independent Non-Executive Directors in 2022.

A structured timetable was adopted for the process, with regular updates and discussions with the NGC and Board held throughout. A person specification was developed with Heidrick & Struggles which was shared with and approved by all Board members. We then agreed a long list of external candidates which, following separate individual meetings with me, Said Darwazah, John Castellani, Cynthia Flowers and Douglas Hurt, was distilled to a short list for more detailed interviews with groupings of Directors on specialist subjects (operational leadership, people and teams, strategic leadership). At the same time we undertook a leadership assessment of the Executive Committee which, building on similar processes in earlier years, highlighted internal candidates. Shortlisted internal candidates from this process went through the same detailed interviews with Directors on the specialist subjects as the external candidates. By February 2023, the Board was in the final stages of its deliberations, we anticipate that we will be in a position to provide an update very soon.

Independent

Non-Executive Directors and SID succession: During 2022 we welcomed three new Independent Non-Executive Directors to the Board. Laura Balan, Victoria Hull and Dr Deneen Vojta bring new perspectives and insights to the Board, strengthening our knowledge of the global healthcare industry, investor sentiment, the UK listed environment and M&A. Victoria Hull will be appointed SID and assume the role of Chair of the NGC, following the AGM in April 2023 when I will step down as SID, Chair of the NGC and as a member of any Board Committee requiring fully independent membership under the Code. For the reasons set out on page 83, the Board has asked me to stay on as a non-independent, Non-Executive Director for one further year, stepping down no later than the AGM in 2024.

Committee changes: We transitioned the chair of the Remuneration Committee to Nina Henderson, following the retirement of Dr Pamela Kirby at the conclusion of our AGM in 2022. Nina is an experienced member of Hikma's Remuneration Committee, having served as a member since 2016. Nina is also Remuneration Committee Chair for IWG PLC and Chair of the Human Resource Compensation Committee for CNO Financial Inc. (NYSE).

We made a number of changes to our committee memberships following the appointment of our new Non-Executive Directors; the Audit Committee welcomed Laura and Victoria as members; the Compliance, Responsibility and Ethics Committee welcomed Deneen as a member; the Nomination and Governance Committee welcomed Victoria and Deneen as members; and the Remuneration Committee welcomed Laura as a member.

Balance

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

Skills and experience

The NGC continues to believe that a longer induction period is desirable for new Independent Directors to allow for building understanding of the business and, where succession for a Committee Chair is taking place, the transfer of knowledge and relationships associated with the particular committee. Additionally, the Board believes it is important for Directors to have significant international experience at an executive level, a challenging yet

consensual style, and the highest level of integrity. The Committee regularly considers whether there may be gaps in fulfilling the specific and in-depth experience that the Board requires as a whole, which focuses on the following areas:

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

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

During the year, the Board attended an externally facilitated ESG workshop to improve the Board's understanding of ESG related issues in preparation for setting environmental performance measures and targets under the proposed Remuneration Policy. Further detail on the environmental performance measures and targets is set out on pages 123 and 124. The Board also received briefings on matters such as the pharmaceutical competitive environment, healthcare business development activity, investor perceptions, market sentiment, cybersecurity, business intelligence, capital markets and listing related developments. We also refreshed our induction programme for Non-Executive Directors to support our newly appointed Directors during their first year with Hikma. This included briefings on key issues facing the Board, allocating time to discuss environmental initiatives with our ESG team, cybersecurity with our Chief Information Officer and Global Infrastructure team and diversity with our Women's Empowerment Group. We also made a number of minor updates to strengthen our underlying policies and procedures.

Tenure

We anticipate that the Independent Non-Executive Directors will generally serve for a period of nine years or, if required to facilitate an orderly transfer of responsibilities, the next Annual General Meeting (AGM) of the Company following the ninth anniversary of their appointment. Their appointments are formally reviewed after three years and again at six years.

Each member of the Board will stand for election or re-election at the 2023 AGM. The position of each Director was closely reviewed during the year as part of the consideration of succession arrangements, independence issues, the bi-annual governance structure reviews, the Board and Committee evaluation processes and the ongoing dialogue between the Executive Chairman and the SID.

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

Time commitment

The NGC continues to review the external commitments of each Director with a view to ensuring that the benefits of the additional experience from their external commitments are not outweighed by reductions in the commitment to the Company. The Directors achieve excellent attendance and spend significant time delivering their responsibilities. Accordingly, the NGC considers that there is currently an appropriate balance. The Committee will continue to monitor the situation. No new external commitments were taken on by the Directors during the reporting period.

Diversity

During the year, the NGC approved an update to the Board Diversity Policy, to take account of the new diversity related disclosures and targets under the Listing Rules. Additional disclosures in line with the new diversity disclosures and targets under the Listing Rules are summarised on page 77 and included in the prescribed format under the Listing Rules on page 127. Hikma supports the recommendations of the Parker Review and the FTSE Women Leaders Review and has adopted the targets set out by both reviews. The Board Diversity Policy is available at **www.hikma.com**.

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

One of the three pillars of the Group's strategy is to 'inspire and enable our people'. The Group's policy and approach to diversity, succession and appointments are a core part of this pillar. The Board monitors the diversity metrics which are detailed on page 77 and uses these as a reference point when considering the level of achievement against its diversity objectives. Hikma has successful empowerment and talent development programmes to help all employees make the most of their potential, for more information please see pages 44 and 45. Further detail on employee diversity is provided on page 77.

The Group's talent acquisition policies for the three most senior staff grades require a balanced list of candidates to support our diversity goals.

Ethnicity

The Board considers that it has demonstrated strong ethnic diversity since the formation of Hikma and has three Directors from ethnic minority backgrounds, representing 27% of the Board, including the Executive Chairman. Accordingly, the Board has achieved and wholeheartedly supports and adopts the Parker Review recommendation and target set by the new diversity related disclosures under the Listing Rules to have at least one Director identifying as minority ethnic.

Gender

Since its founding, Hikma has actively promoted gender diversity across its operations. The NGC was pleased to be able to improve gender diversity in the Boardroom in 2022, with women now representing 45% of the Board. The Board has adopted the targets set by the FTSE Women Leaders Review and new diversity related disclosures under the Listing Rules to achieve at least 40% of Board members identifying as women. The Board also adopted the voluntary target set by the FTSE Women Leaders Review, to increase the gender diversity of the leadership team (Executive Committee and senior direct reports) to a minimum of 40% women by the end of 2025. Our Remuneration Committee has integrated these targets into the performance measures for the proposed Remuneration Policy, further detail is included on pages 123 and 124.

Nomination and Governance Committee
continued

Governance review

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

Evaluation and performance

In line with the Code we undertake a formal and rigorous annual evaluation of performance of the Board, its Committees, the Chairman and individual Directors. We operate a three-year cycle of external evaluation in year one, followed by internal evaluations in years two and three. Our last external evaluation took place in 2021, so in 2022, Hikma engaged Lintstock Ltd to facilitate our internal evaluation of Board performance. Lintstock is an advisory firm that specialises in Board reviews, and had no pre-existing connections, beyond conducting board reviews, with Hikma.

Process

The first stage of the exercise involved Lintstock engaging with key stakeholders, in order to set the context for the review and to tailor the scope to the specific circumstances of Hikma. With the exception of our three newly appointed Directors, all Directors then completed an online survey addressing the performance of the Board, its Committees and the Executive Chairman.

As well as addressing core aspects of Board and Committee performance in 2022, the exercise had a particular focus on the following areas:

- the quality of the 2022 Board strategy session, including the quality of materials, discussions and the articulation of conclusions and next steps
- the clarity of Hikma's strategy, the metrics used to track progress, and the Board's focus on both organic and inorganic growth opportunities
- the understanding of key stakeholder groups, including shareholders, customers, governments, regulators, patients and suppliers
- the incorporation of ESG considerations into Board discussions and decision-making
- the Board's tracking of external developments including competitor activity, technological evolution, regulatory and legislative changes, as well as macroeconomic and geopolitical events

Outcome

Lintstock's report was discussed at a Board meeting in early 2023. As a result of the review, the Board reflected on the key points raised, lessons learned and agreed the following priorities and actions for 2023:

- complete the CEO selection process and ensure a successful integration of the new CEO, in order to work effectively with the Board and the broader business
- continue to engage with our shareholders ahead of the 2023 AGM, particularly in relation to the proposed Remuneration Policy
- complete the inductions for our Non-Executive Directors appointed in 2022
- review succession planning processes for the Board and senior management
- strengthen our Board strategy sessions to develop, amongst a number of topics, our ESG strategy and inject wider additional stakeholder perspectives

Executive Chairman's appraisal

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

Director appraisal

The Executive Chairman and CEO, having taken into account the comments from the Board evaluation and discussions with the SID, reviewed the performance of each of the Directors during the year and concluded that each Director contributes effectively to the Board, brings particular areas of skill and experience that ensure the Board as a whole has the right capabilities, and devotes sufficient time to their role. The NGC has concluded that the relevant Directors be recommended to shareholders for re-election at the 2023 AGM.

For and on behalf of the Nomination and Governance Committee.

Patrick Butler
Chair, Nomination and Governance Committee
22 February 2023

Audit Committee

Letter from the Chair

Douglas Hurt
Chair, Audit Committee

Dear Shareholders

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

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

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

Distributable reserves
The Committee is aware that the Financial Reporting Council (FRC) is encouraging organisations to provide greater clarity on their distributable reserves position. During the year, management re-assessed the Company's distributable reserves in line with FRC guidance, reflecting the impact of converting the Group's merger reserve (which was created when Hikma listed in 2005 and as a result of the acquisition of the Columbus facility in 2016) into further distributable reserves and the impact of the share buyback undertaken. The Committee has reviewed and approved the distributable reserves disclosure in the financial statements (see page 194 for further details).

Internal audit

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

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

During the year, the Committee monitored progress with the internal audit programme for 2022 and reviewed and approved the plan for 2023. EY and management work closely together to deliver the internal audit plan, develop action plans for points raised, and ensure that the Committee receives appropriate and timely information. During the year, the Committee continued to monitor the performance and independence of the internal auditors in accordance with the policies that have been established. The Committee reviewed the results of an assessment of the quality of the internal audit function, obtained from a wide spectrum of management feedback and concluded that EY continue to perform an effective internal audit programme and remain independent. The Committee considers that EY bring significant pharmaceutical and MENA market experience which is complemented by the experience of other third-party experts where required.

External audit

The external audit was undertaken by PricewaterhouseCoopers LLP (PwC) and has been since their appointment in May 2016. PwC were appointed following a competitive tender process. Mr Nigel Comello was appointed as the senior statutory auditor in May 2022. The Committee recommends the re-appointment of PwC for 2023. We believe the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and strong. The Company has complied with the Statutory Audit Services Order for the financial year under review.

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

- **Audit quality and technical capabilities:** the Committee considered that the auditors undertook an effective and in-depth assessment and verification exercise in respect of the financial statements and associated disclosures for the year ended 31 December 2022 and that the level of expertise PwC brought to bear was high. The Committee provides feedback on the auditor's performance as part of the regular meetings with them without management present, takes into account the reports and analysis of the FRC, including the Audit Quality Inspection Supervision report, and believes that there is an open and appropriately challenging relationship between the audit leadership team, the Committee and management. Management also conducts a formal review of audit quality and effectiveness using a survey where feedback is provided by Committee members and management. The key outcomes are summarised and considered by the Committee in their assessment of the auditor.
- **Independence:** the Committee regularly reviews the independence safeguards of the auditors and remains satisfied that auditor independence has not been compromised. The Committee's policy on the provision of non-audit services is that all such proposed services require the approval of the Committee in advance of an instruction. The Committee is satisfied that the auditors are independent.
- **Challenge and judgement:** the Committee considers that PwC provide significant challenge to the management team which results in the Company's position being fully considered and supported and, where appropriate, further strengthened. The Committee believes that PwC has demonstrated well considered and clearsighted judgement in the matters on which it has provided opinion and has been open to an appropriate level of challenge and debate. An example of PwC's professional scepticism and challenge, as noted by the Committee, include their in-depth audit and challenge of the assumptions used in the impairment review exercise where PwC challenged the cash flow forecasts, discount rates and terminal growth assumptions.

– **Non-audit fees:** the Committee's policy is that the external auditors should not undertake any work outside the scope of their annual audit and the review of the interim financial statements. The Committee has discretion to grant exceptions to this policy where it considers that exceptional circumstances exist and that independence can be maintained, whilst having due regard to the FRC's ethical standards for auditors meaning that non-audit fees will be capped at 70% of the average audit fees paid in the previous three consecutive financial years. The Committee's approval is required to instruct PwC to perform non-audit services. PwC provided assurance services related to the interim review and other audit related assurance work with a value of $210,000 (2021: $200,000). These services are within the ordinary course of services provided by the auditor.

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

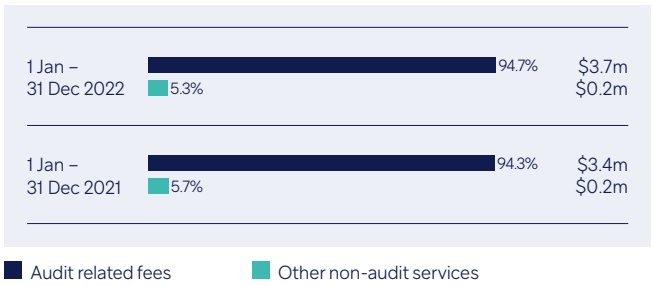
Audit tendering

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

Auditor's fee

$3.9m

PwC



Ensuring the integrity of financial reporting and providing oversight of our systems for internal control and risk management.

Position and prospects

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

Going concern and longer-term viability

The Group developed a number of severe but plausible multi-event risk scenarios that could impact the business adversely. The Group's strategic objectives, principal risks (PR), assessments of longer-term emerging risks (ER), management input, real-world examples and the financial modelling assumptions were used to design the scenarios. Realistic but extremely severe adjustments were further applied for sensitivity analysis. Further details on the assumptions and scenarios are provided on pages 67 and 68.

The Committee reviewed the outcomes from the scenario analysis and concluded that the Group could reasonably respond to the challenges and ensure the continued survival of the business. The impact of an adverse scenario (involving several risk events) has consistently been manageable for the Group, while acknowledging that it may result in a short-term set back. The Directors considered the going concern position as detailed on page 67. Having reviewed and challenged the downside assumptions, forecasts and mitigation strategy of management, the Directors believe that the Group is adequately placed to manage its business and financing risks successfully. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period longer than 12 months from the date of signing the financial statements. Therefore, the Directors continue to adopt the going concern basis in preparing the financial statements.

The Directors, having considered the longer-term viability assessment as detailed on page 68, confirm that they have a reasonable expectation that Hikma will be able to continue in operation and meet its liabilities as they fall due and over the viability period which ends on 31 December 2025.

Significant matters

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

- **Impairment review:** as in previous years, management undertook the impairment test exercise in respect of property, plant and equipment and intangible assets. In respect of the Generic Advair Diskus® CGU, management had recommended an impairment charge of $75 million ($59 million was allocated to intangible assets and $16 million to property, plant and equipment on a pro-rata basis). The review of property plant and equipment resulted in an additional impairment charge of $61 million mainly due to excess capacity and the rationalisation of the R&D pipeline associated production lines in the Generics CGU. The review of the individual product related and marketing rights intangible assets resulted in an impairment charge of $42 million. The Committee reviewed management's approach and recommendations and concluded that the proposals were appropriate.
- **Valuation of acquired intangibles in respect of the acquisition of Custopharm Inc and the Canadian assets of Teligent Inc:** the Committee reviewed and challenged management's judgements and estimates of the acquisition accounting of Custopharm Inc. and the Canadian assets of Teligent Inc. The valuation exercises were performed by third-party experts.
- **Revenue recognition:** the Committee reviewed the Group's policies for revenue recognition and the application of those policies by management. The Committee reviewed the model applied by management to arrive at the chargebacks, which estimates the 'in-channel' inventories held by wholesalers and the chargeback rate being the difference between the contracted price with indirect customers and the wholesaler's invoice price. Similar reviews were undertaken of the deductions to revenue made for customer rebates, returns and indirect non-customer and government rebates. The Committee also agreed the disclosures around these year-end estimates and the sensitivity of the estimates to changes in assumptions.
- **Taxation:** Hikma's worldwide operations are highly integrated and involve a number of cross-border supply chains, which results in judgement being required to estimate the potential tax liabilities in different jurisdictions. During the year, the Committee and Board received presentations from the Head of Tax regarding the potential direction of tax planning activities and enhancements to the resources available to the department, the control environment for operational effectiveness and reporting. The Committee took advice from professional services firms and management in assessing the reasonableness of the Group's provisions for uncertain tax positions which amounted to $50 million and in reviewing the deferred tax assets in key markets which amounted to $192 million. The Committee reviewed the appropriateness of the disclosures in the Annual Report, and reviewed and approved the Group's tax strategy statement, which is available on the Company's website at **www.hikma.com**.

Fair, balanced and understandable

Hikma is committed to clear and transparent disclosure and seeks to continuously improve the clarity of its reporting. At the request of the Board, the Audit Committee considers whether Hikma's Annual Report is fair, balanced and understandable and that the narrative section of the report is consistent with the financial information. The Committee's assessment is underpinned by a report from the Reporting Committee, which comprises representatives from Finance, Investor Relations, Risk, Communications and Company Secretariat, following their comprehensive review of the Annual Report. The Reporting Committee's work is supported by divisional and functional heads, as required.

The Reporting Committee's activities include:

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

Each member of the Audit Committee and the Reporting Committee is satisfied that the 2022 Annual Report is fair, balanced and understandable and has recommended the adoption of the Report and Accounts to the Board.

Reporting controls

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

Risk management and internal control

The Board is ultimately responsible for ensuring that Hikma's systems of internal controls and risk management remain effective.

Risk management

The Committee has continued to receive reports on the operation of the Group's Enterprise Risk Management (ERM) framework which includes the material controls and programme for enhancing the Group's risk management efforts. As in previous years, management and the Board have undertaken a thorough assessment of the Group's emerging risks as well as the annual review of the principal risks. The Committee and the Board have considered the principal risks facing the Group and we have decided that no adjustments were required in the year under review. The Board and management have also reviewed the appetite for those principal risks and have concluded that it remains appropriate. After a review of those risks that present a greater potential risk in the near term, the Board received additional information on the Group's information security initiatives. Further information regarding the Group's risk management activities is available in the Risk management section on pages 58 to 66.

An independent expert assessment of the Hikma ERM programme was performed by an external consulting firm, Satarla. The exercise was requested by the Committee, in line with good practice, to evaluate our approach to ensure it is suitable for our organisation, and to identify opportunities to make improvements. The review confirmed that the ERM activities were sufficient to meet the regulatory requirements of the FRC and are aligned with the guidelines and principles from international standards and best practice. Opportunities to enhance the ERM programme were suggested to further the ERM maturity level and these have been incorporated into the strategic plan for the risk management function.

Internal control
The Board is ultimately responsible for ensuring that Hikma's systems of internal controls and risk management processes are effective and has delegated responsibility for reviewing their effectiveness to the Committee.

During the year, the result of the BEIS consultation on restoring trust in audit and corporate governance was published. Hikma's Group Financial Compliance function took steps to prepare for the expected upcoming regulation, and associated UK Corporate Governance Code changes to be formalised by the FRC. Group Financial Compliance assessed the control environment at Hikma in view of the consultation outcome, and proposed steps to further formalise the internal control environment including financial, IT and related operational controls.

Further, a formal fraud risk assessment was conducted; the result of which was shared with management and the Committee along with recommendations. A formal fraud prevention and detection programme will be launched during 2023, building on existing practices and policies.

Following the consultations by BEIS and the FRC on Audit Committee standards, Group Financial Compliance will support the Committee in the preparation of an Audit and Assurance Policy, that will satisfy the anticipated requirements of both consultation documents, on selection of external auditors and assessing assurance in terms of quality and coverage as obtained by various sources internally and externally.

Management is awaiting further guidance and regulation and will expand the scope of work undertaken in 2022 where necessary. Meanwhile, management and the Committee will receive regular updates on potential programme developments, as well as the results of internal assurance of controls from Group Financial Compliance.

In addition to the aforementioned, the key elements of our internal control framework are as follows:

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

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

- **Internal audit:** the Committee receives regular reports from the internal auditors and other third-party experts who review relevant parts of the Group business operations, assess Hikma's processes, identify areas for improvement, monitor progress, and undertake their own assessment of the risks facing Hikma.
- **Group financial compliance:** the Committee receives regular reports from Group Financial Compliance, who review relevant parts of the finance function and operational processes, based on a risk based testing plan. The team assesses Hikma's processes, identifies areas for improvement, and monitors remediation progress.
- **Risk management:** the ERM framework provides a structure for risk management activities to occur at all levels of the organisation, including management of principal risks and uncertainties (detailed on pages 60 to 66). Risk reporting processes ensure the Executive Committee and the Board are engaged in the design and implementation of new control initiatives and provide oversight of existing programmes.
- **Financial performance:** Hikma's financial performance and forecasting reports are reviewed by the Board to aid the understanding of the underlying performance of the business, deviations from expectations and management's operational challenges and responses.
- **Ethics:** the business integrity and ethics procedures and controls that are led by the Compliance, Responsibility and Ethics Committee (CREC). To ensure consistency and awareness between these Committees' responsibilities, the Audit Committee Chair is a standing member of the CREC.
- **Governance:** the Board and Group-level controls and processes that make up our approach to governance that is led by the Nomination and Governance Committee and includes all appropriate financial and non-financial controls.
- **External auditor:** the regular and confidential dialogue with the external auditor.

Membership of the Committee

The Committee comprises solely of Independent Non-Executive Directors, who as a whole, have competence relevant to Hikma's business and the industry in which it operates. I am considered by the Board to have significant recent and relevant financial experience chiefly related to my work with other audit committees, having been a finance director of another listed entity and having held senior financial positions in other entities. Biographical details of the Committee members can be found pages 78 and 79. The Board is satisfied that the Committee has the resources and expertise to fulfil its responsibilities.

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

Douglas Hurt
Chair, Audit Committee
22 February 2023

Compliance, Responsibility and Ethics Committee

Letter from the Chair

John Castellani
Chair, Compliance, Responsibility and Ethics Committee

Dear Shareholders

During 2022, the Compliance, Responsibility and Ethics Committee (CREC) continued to promote and oversee our commitments to business integrity, quality, communities and ethical conduct. This report focuses on the matters that the Committee addressed during the year. Further details related to the structure of our Anti-Bribery and Corruption (ABC) compliance and integrity programme are available on our website at **www.hikma.com**.

Ethics

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

Key measures in support of this goal include:

- launching a global supplier code of conduct which requires our suppliers and third parties who represent or conduct business on behalf of Hikma to comply with all applicable laws, rules, regulations, and ethical standards, including with respect to forced or compulsory labour and human trafficking
- partnering with EcoVadis, a leader in sustainability ratings, to implement a platform to assess our main supplier base for any risk of modern slavery or human rights abuses
- training Hikma staff on labour standards and how to recognise and respond to any incidences of modern slavery
- carrying out appropriate due diligence
- an anonymous speak up line to empower Hikma employees, consultants and suppliers to report potential issues of modern slavery
- engaging with supply chain partners and the operational part of our business if and when any risk of modern slavery is identified

Hikma's modern slavery statement is available at **www.hikma.com**.

Corporate Social Responsibility
The Committee oversaw, encouraged and supported the corporate social responsibility programme which is so clearly linked to our founder's desire to improve lives, particularly through health, educational and development opportunities for the least privileged. Our sustainability report provides a detailed assessment of our key efforts which is available on pages 37 to 45.

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

Anti-bribery and corruption

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

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

Code of Conduct
The Committee continues to oversee the development and promotion of Hikma's Code of Conduct, which embodies the important moral and ethical values that are critical to the Group's success. The Code of Conduct guides all the Committee's activities and is the key reference point for all our employees. Hikma's Code of Conduct is available at **www.hikma.com/about/ethics-and-compliance/code-of-conduct**.

Supplier Code of Conduct
In 2022 Hikma introduced a Supplier Code of Conduct which sets out the standards we expect from all our suppliers. As an initial step, we have distributed the Supplier Code of Conduct to our existing suppliers for awareness and are sharing it as part of the on-boarding process for any new supplier. The Supplier Code of Conduct is available at **www.hikma.com/about/suppliers**.

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

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

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

Training
During the year, we continued with our training programmes for the Code of Conduct, ABC, speak up, anti-money laundering, Criminal Finances Act, General Data Protection Regulation (GDPR), antitrust and related matters, both virtually and in person. The programmes have been developed with assistance from external experts and are provided to employees virtually through their personalised corporate training portal. Our training programmes include worked examples and tests to ensure and enhance understanding. The Board has fully supported the training programmes and has undertaken the aspects that apply to all colleagues.

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

Regulations

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

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

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

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

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

John Castellani
Chair, Compliance, Responsibility and Ethics Committee
22 February 2023

> Doing the right thing by conducting business with integrity and transparency and in accordance with the law.

Remuneration Committee

Letter from the Chair

Nina Henderson
Chair, Remuneration Committee

Dear Shareholders

On behalf of the Board, I am pleased to be writing to you as Chair of the Remuneration Committee for the first time and present the Remuneration Committee's Report for the financial year ended 31 December 2022. The Report is split into the following sections:

i. this Annual Statement which contains a summary of the proposed updates to our Directors' Remuneration Policy and the remuneration decisions made during the year.

ii. the new 2023 Directors' Remuneration Policy (the 2023 Policy) that, if approved by shareholders, will take effect from the date of the 2023 AGM.

iii. the Annual Report on the implementation of the current Policy in the year ended 31 December 2022 and implementation of the new policy for the next financial year.

At the 2023 AGM, in addition to the voting resolutions on the Remuneration Report and Remuneration Policy, there will be a resolution asking shareholders to approve the new 2023 Long-Term Incentive Plan (LTIP) and deferred bonus plan rules.

Remuneration Policy Review

The primary focus of 2022 has been the review of the Remuneration Policy to ensure that the incentive structure is appropriate for the next three years.

To meet the future needs of Hikma's business, the incentive structure must reward performance linked to business plan delivery as well as retain and attract an appropriate calibre of executive talent recognising the highly competitive nature of the global pharmaceutical industry.

The review process began in early 2022 with design principles and progress discussed in Committee meetings during the year. The Committee approved the proposed design of the incentive structure at the end of the year after having reviewed feedback from the shareholder consultation process undertaken. Management were also consulted on the Policy, as part of the process, but final approval of the Policy was made by the Committee, thereby avoiding a conflict of interest.

Incentive structure

The fundamental incentive structure of Hikma's current Remuneration Policy has remained unchanged since the adoption of the Executive Incentive Plan (EIP) in 2014. In the years since the EIP was introduced, Hikma has grown significantly now generating revenues from a broader product portfolio compared to a significant concentration of revenue on a smaller number of products that existed in 2014. Concurrently, Hikma's geographic penetration has expanded. Hikma is now a complex set of businesses operating in highly competitive segments across international markets with 57% of 2022 revenues emanating from the United States (the global hub of the pharmaceutical industry).

Hikma's business plan is to deliver long term sustainable growth through new products, new business lines and initiatives that will require multiple years to implement and commercialise.

In conducting the remuneration policy review, a range of alternative designs were considered. The EIP has been focused on assessing performance over one year only and is not designed to enable the long term performance measurement that is needed to support the future business plan.

The proposed 2023 Policy focuses on two separate incentive plans which will enable pay for performance recognising actions and investments that will span multiple years to produce results:

- Annual bonus – performance measured over one year with 50% of any earned bonus deferred into an award over shares for a period of 3 years. Maximum opportunity of 200% of base salary.
- LTIP – a performance share plan (PSP) with performance measured over 3 years. An additional holding period of two years will apply post vesting. Maximum opportunity of 300% of base salary.

The design increases the maximum total incentive opportunity from 400% of salary, under the EIP, to 500% of salary under the proposed 2023 Policy. This increase in opportunity recognises the lengthened timescales and weighting on long-term performance compared to our existing policy. The maximum limits have been considered to enable Hikma to attract and retain Executive Directors and compete with significantly higher incentive multiples found in the US market which influence compensation levels in the global pharmaceutical sector.

In addition, the proposed 2023 Policy design:

- increases the proportion of total incentive opportunity that is weighted towards long-term performance and reduces the proportion that is paid out in cash
- reduces on-target annual bonus opportunity from 62.5% of maximum to 50% of maximum
- increases the annual deferral period from 2 years to 3 years
- expands the triggers covered under our malus and clawback policy

Further details on the proposed changes to Policy can be found on pages 99–108.

As part of the Policy review, we also considered the performance measures and targets to ensure they are appropriately stretching and supported Hikma's strategy. In summary, the proposed incentive structure:

- introduces diversity and climate measures into both the annual bonus and LTIP
- increases the focus on alignment with shareholders through the introduction of EPS and relative TSR measures in the LTIP
- aligns long term incentive outcomes with delivering new products, a key part of Hikma's business plan for ensuring long term growth, by introducing a target for revenue for new business.

Further details can be found in the implementation section of this letter and pages 123 and 124 of the remuneration report.

Shareholder consultation

In formulating the proposed 2023 policy, we undertook an extensive shareholder consultation exercise with our major shareholders (which accounted for 48% of the issued share capital) together with investor bodies. We are grateful for the valuable feedback provided and delighted that the investors we spoke to were strongly supportive of the longer-term focus and the greater alignment of the management team's rewards with those of shareholders.

Further information on Hikma's approach to engaging with shareholders can be found on Page 23.

As a Committee, we will continue to engage with shareholders and institutional investor bodies in the development of our reward programs. We will continue to emphasise our focus on strengthening our pay for performance culture with the objective of creating long-term sustainable shareholder value.

Performance outcome

The Injectables, Branded and Generics business segments provide the Group with a portfolio capable of meeting market place volatility. During 2022 the macroeconomic headwinds of inflation, interest rate rises and currency movements resulted in significantly higher expenses versus budget and compared to 2021. Concurrently the Generics business experienced a challenging year. The Injectables and Branded segments partly offset the financial performance of the Generics business.

As a result of the Generics challenges the Group financial performance was Revenue $2,517m and EBIT (before R&D) $740m which were 95% and 93% of target respectively.

When Said Darwazah was appointed to undertake the dual role of Executive Chairman and Chief Executive Officer (CEO), on the departure of Siggi Olafsson, he was asked by the Board to work with the President of the Generics business to ensure it is appropriately structured for future success. Restructuring during 2022 resulted in reducing the Generics annual cost base by $8m and this, together with business development plans identified, puts this business segment in a good place for future growth. The Committee therefore assessed the Executive Chairman and CEO as being on target for performance related to this measure. This when combined with the financial outcome resulted in a total incentive payout of 150.6% of base salary (254.7% in 2021).

The Executive Vice Chairman is responsible for managing the MENA business. The 2022 performance of this business was one of the strongest parts of the Group as demonstrated by Hikma becoming the third largest pharmaceutical company in MENA during 2022. It generated Revenues of $862m and EBIT (before R&D) of $227m which were 101% and 105% of target.

During 2022 the Board wanted the Executive Vice Chairman to focus on a number of environmental initiatives. Over the year the MENA business identified opportunities for on-site renewable energy generation in KSA and Morocco, changes to the electricity supply for the business in Sudan (which will result in a major reduction in diesel usage from January 2023) and a number of initiatives in Tunisia, KSA and Egypt to reduce scope 1 emissions. These will result in savings of 1.5m kWh and 300,000 litres of diesel in 2023. As a result of these initiatives the Committee assessed performance as being between target and maximum on the ESG measure.

The total 2022 incentive payment for the Executive Vice Chairman was 220% (268.8% in 2021). Further details of the calculation of the incentive outcomes for the Executive Chairman and CEO as well as the Executive Vice Chairman can be found on pages 114-117 of this report.

The Committee reviewed the trend for colleagues across the organisation and noted that bonuses were generally lower than in 2021 and therefore there was alignment between the Executive Directors and the wider workforce.

Former CEO leaving arrangements

Hikma's former CEO, Siggi Olafsson, resigned to pursue other opportunities. Under the Rules of the EIP all unvested shares were forfeited and the pension was treated in line with the pension plan rules for a normal leaver.

The Executive Chairman, Said Darwazah became CEO without any additional remuneration being paid.

Salaries

As part of the policy review the Committee undertook a benchmarking exercise during the year comparing Executive Director Compensation to appropriate FTSE and global pharmaceutical peers. The Committee also noted the salary adjustments that have been applied to the wider workforce for 2023, which represented an average increase of 4%. Having considered the market data, the wider employee increases and the proposed changes in the new Remuneration Policy, the Committee determined that the base salary for the Chairman and CEO should remain unchanged and that the Executive Vice Chairman should receive a pay increase of 3.5% increasing base pay to $806,787 ($779,504 in 2022).

Implementation of the new Policy in 2023

Subject to approval of the proposed Policy at the 2023 AGM, we intend to make incentive awards as follows.

Operation of the 2023 bonus

The 2023 annual bonus will continue to be determined based on performance measures weighted at 80% financial and 20% strategic deliverables, the same weighting that was used for the EIP. The financial element will focus on revenue and profit, and the strategic element will be a combination of strategic and ESG measures.

Fifty percent of any bonus payment for Executive Directors will be paid in cash. The remaining 50% will be deferred into shares for a period of three years. Maximum bonus for both Executive Directors will be 200% of base salary.

Further details on our approach can be found on page 123.

LTIP awards to be made in 2023

The maximum award for both Executive Directors will be 300% of base salary.

The performance conditions would be measured from 1 January 2023 and include:

- relative TSR against a FTSE 50 – 150 peer group excluding investment trusts (20% weighting)
- business development and portfolio expansion (30% weighting)
- cumulative EPS (30% weighting)
- ESG measures (20% weighting)

Wider employee context

The Committee does not directly consult employees on the remuneration aspects contained in this report, however, in my additional role as the Director responsible for employee engagement, I visited a number of Hikma's sites during 2022 and held meetings with employees for feedback. Specifically, I visited the Columbus, Ohio, Cherry Hill and New Jersey manufacturing sites and met with sales, marketing, manufacturing and R&D managers. I also participated in town hall sessions with employees. Throughout 2022, I met with employee resource groups focused on gender diversity in Jordan, Cherry Hill and Columbus as well as an African American group in Cherry Hill. Further details of employee engagement can be found on pages 19 and 75.

The Committee is briefed on the wider employee pay policies and practices throughout the Group, including the internal Living Wage and the level of pay in each one of our jurisdictions, which takes account of the cost of living. During 2022 salary adjustments were made to employees in a number of locations as a result of changes in the rate of inflation and devaluation of currencies. We continue to be fully committed to providing a Living Wage to all our employees.

Discretion

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

We thank our investors for their constructive input during the development of the proposed 2023 Policy. We look forward to receiving shareholder support for this new policy and the approval of the 2022 Remuneration Report.

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

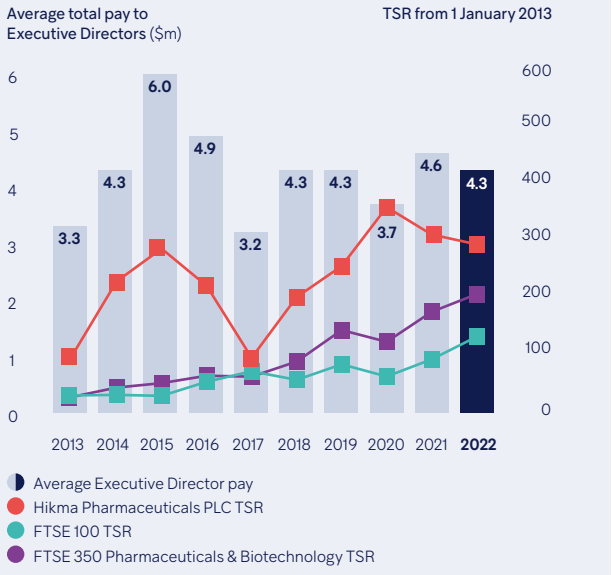
Nina Henderson
Chair, Remuneration Committee

22 February 2023

Remuneration dashboard

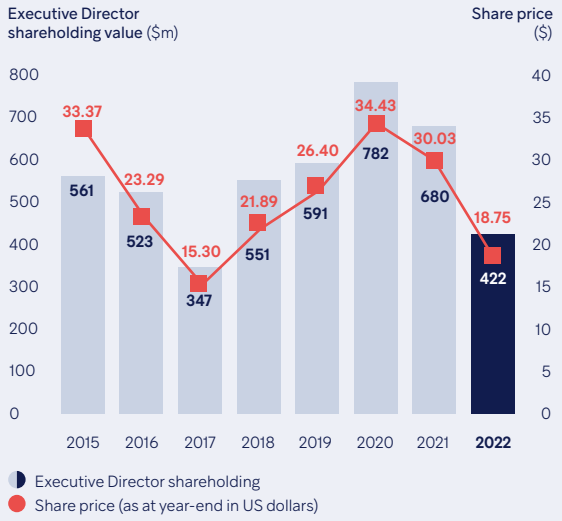
TSR and total executive pay

Over a ten year period, Hikma has performed strongly against the FTSE 100 index and sector (FTSE 350 Pharmaceuticals & Biotechnology segment, a relatively small group of companies that are mainly focused on developing new medicines). The table below shows the alignment of executive pay to TSR performance.



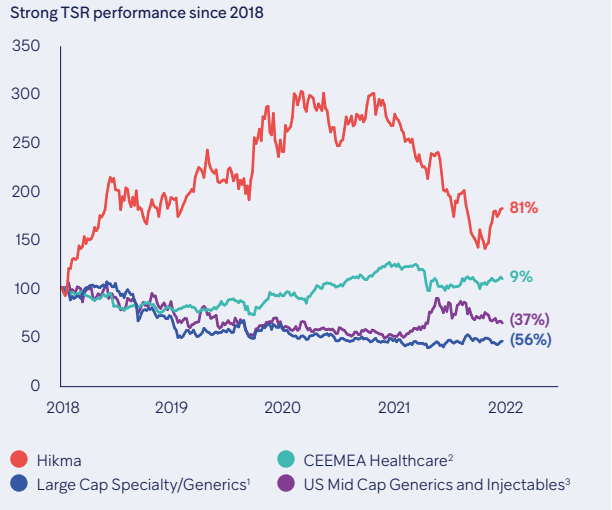
Value of executive holdings

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



Generic pharmaceutical peers

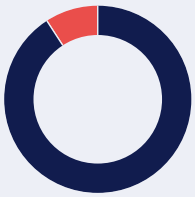
Hikma operates within a sub-set of the pharmaceutical industry that focuses on generic medicines, mainly in the US market. Hikma requires access to the US generic pharmaceutical environment to recruit its specialised and extensive talent pool.



1. Large Cap Specialty/Generics includes Teva, Viatris and Perrigo
2. CEEMEA Healthcare includes KRKA, Aspen, Adcock and Gedeon
3. US Mid Cap Generics and Injectables includes Amneal, Amphastar, Lannett, Advanz and Mallinckrodt
4. Under the Companies Act 2006 votes 'Withheld' are not a valid vote and, therefore, are discounted when considering approval at a general meeting

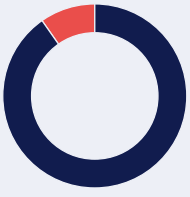
Shareholder approval

Annual report on remuneration (25 April 2022 AGM)



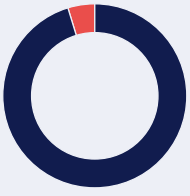
Votes available	173,217,681
Votes cast	173,211,901
For	91.1%
Against	8.9%
Withheld	5,780

Annual report on remuneration (23 April 2021 AGM)



Votes available	230,771,404
Votes cast	177,078,354
For	90.4%
Against	9.6%
Withheld	1.198,566

Remuneration Policy (30 April 2020 AGM)



Votes available	242,543,355
Votes cast	199,924,378
For	95.5%
Against	4.5%
Withheld[4]	2,896,646

Remuneration and performance summary

Reference in this section to the 'Regulations' refers to the Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013, with which this report complies

Performance components

	2021		2022
Sales	$2,553 million	-1 %	**$2,517 million**
Core Operating profit (before R&D)	$775 million	-5 %	**$740 million**
Share price	2,219p	-30 %	**1,552p**
Dividend	54 cents	4 %	**56 cents**
Employee compensation	$583 million	2 %	**$593 million**
Shareholder implementation approval	90.4%		**91.1%**
Shareholder policy approval	N/A		**N/A**

Total remuneration

Executive Director	2021 ($000)		2022 ($000)		2023 ($000) (estimate)
Said Darwazah	4,585	-4 %	**4,413**	**-25 %**	**3,319**
Mazen Darwazah	3,809	-7 %	**3,530**	**-29%**	**2,519**
Siggi Olafsson	5,307	-3 %	**5,168**	**–**	**–**

Components

	2021 ($000)		2022 ($000)		2023 ($000) (estimate)
Salary[1]					
Said Darwazah	1,018	0 %	**1,018**	**0%**	**1,018**
Mazen Darwazah	753	4 %	**780**	**3.5%**	**807**
Siggi Olafsson[4]	1,167	-48 %	**603**	**–**	**–**
Bonus[2]					
Said Darwazah	1,568	-39 %	**949**	**7%**	**1,018**
Mazen Darwazah	1,232	-15 %	**1,048**	**-23%**	**807**
Siggi Olafsson	1,895	–	**–**	**–**	**–**
Share awards vested[3]					
Said Darwazah	1,875	24 %	**2,324**	**-50 %**	**1,161**
Mazen Darwazah	1,700	-5 %	**1,608**	**-50 %**	**809**
Siggi Olafsson[4]	2,047	118 %	**4,462**	**–**	**–**
Pensions					
Said Darwazah	69	-1 %	**68**	**0 %**	**68**
Mazen Darwazah	58	9 %	**63**	**3 %**	**65**
Siggi Olafsson[4]	160	-48 %	**83**	**–**	**–**
Other benefits					
Said Darwazah	55	-2 %	**54**	**0 %**	**54**
Mazen Darwazah	65	-52 %	**31**	**0 %**	**31**
Siggi Olafsson[4]	38	-47 %	**20**	**–**	**–**

1. Salary: The average rise for salaries across Hikma in 2022 was 4%
2. Bonus: The bonus figure comprises Elements A and C of the EIP. See page 111 for further explanation. The 2023 estimate presumes target performance on the proposed 2023 Policy.
3. Share awards vested: 2022 figures represent Element B of the 2020 EIP and Element C of the 2019 EIP exercised during that year. 2022 is an estimation of the value of Element B of the 2020 EIP and Element C of the 2019 EIP that are to vest in that year, using 31 December 2022 vesting percentages, share prices and exchange rates.
4. Siggi Olafsson stepped down from the Board on 24 June 2022

Remuneration Policy

Directors Remuneration Policy

Non-Executive Directors' fees

Non-Executives	2021 ($000)		2022 ($000)		2023 ($000) (estimate)
Non-Executive Directors' average total fee[1]	148	-37%	93.2	62%	151

1. NED fees: The average Non-Executive Director's fee includes basic fee, Committee membership fee, fees for specific additional responsibilities, and Committee Chair fees. A full breakdown of fees is shown on page 121. The average fee changes reflect the handover of Committee responsibilities and retirement and appointment of Non-Executive Directors

This section of the Report sets out our new Directors' Remuneration Policy (the 2023 Policy). The 2023 Policy will, subject to shareholder approval, become formally effective from the 2023 Annual General Meeting (AGM) on 28 April 2023 and apply to the remuneration of Directors for the 2023 financial year. It is intended that the 2023 Policy will apply for a period of three years from 1 January 2023.

Core Principles

The Remuneration Committee (the Committee) aims to ensure that the remuneration for the Executive Directors:

- Aligns rewards with the experience of shareholders
- Has sufficient flexibility to recruit, motivate and retain the high calibre executives needed to drive the business forward in all the markets in which it operates
- Focuses on long-term sustainable performance
- Rewards the successful delivery of Hikma's strategy in line with its core values

Rationale

The 2023 Policy is designed to:

- Incorporate an element of longer-term performance and investor focused metrics, aligning executive remuneration more closely with the shareholder experience and the successful delivery of Hikma's strategy
- Align Hikma's remuneration structure with peers
- Provide more flexibility to recruit US based executives if needed
- Focus on measures that are central to creating long-term shareholder value
- Include ESG specific measures
- Be bolstered with stretching targets and a robust target setting process

Changes

The changes are shown below:

Variable pay

We recognise the need to have an incentive structure that supports the developed business that Hikma is today, incentivises management to perform over the longer-term and achieve the stretching business plan and is a recognisable incentive structure externally that has the ability to attract and retain an appropriate calibre of executive in the competitive global pharmaceutical talent pool within which Hikma operates.

As a result, we are proposing to move away from the Executive Incentive Plan (EIP) and introduce a new incentive structure that supports our business going forward. The proposed 2023 Policy focuses on two separate incentive plans:

- Annual bonus – performance measured over one year with 50% of any earned bonus deferred into an award for shares for a period of 3 years. Maximum opportunity of 200% of base salary.
- LTIP – a performance share plan (PSP) with performance measured over 3 years. An additional holding period of two years will apply post vesting. Maximum opportunity of 300% of base salary.

The change increases the maximum incentive opportunity from 400% of salary under the EIP, to 500% of salary under the 2023 Policy. This increase in opportunity recognises the lengthened timescales and weightings on long-term performance compared to the current policy. The proposed quantum has been carefully considered to enable Hikma to attract and retain future Executive Directors in the context of the significantly higher incentive multiples found in the US market which particularly influences pay in the global pharmaceutical sector.

A summary table setting out the differences between our current remuneration policy and the 2023 Policy can be found in Appendix 2 of the AGM Notice of Meeting.

Malus and clawback triggers

In line with best practice, we are enhancing malus and clawback provisions to include:

- an unreasonable failure to protect the interests of employees and customers
- a breach of any restrictive, confidentiality or non disparagement covenants or other similar undertakings, whether contained in the employment contract and/or settlement agreement and/or any other agreement between the company and the Executive Director

The 2023 Policy is presented below

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Fixed Remuneration			
Base salary			
Provides a base level of remuneration to support recruitment and retention of Directors with the necessary experience and expertise to deliver the Group's strategy.	Base salaries for Executive Directors are reviewed annually by the Committee and changes, if any, normally take effect from 1 January. Salaries are set with reference to: – pay increases for the general workforce – salaries in peer companies from the global pharmaceutical sector and UK listed companies – company performance and affordability Salaries for individuals who are recruited or promoted to the Board may be (but are not required to be) set below market levels at the time of appointment, with the intention of bringing the base salary levels in line with the market as the individual becomes established in their role.	Whilst there is no maximum salary, any increase will generally be no higher than the average increase for the wider workforce. A higher increase may be made for example where there is a material change in role or responsibilities, promotion, where there needs to be an adjustment to reflect an individuals increased experience in the role, when pay is materially behind market competitive levels, or in exceptional circumstances, with the rationale clearly explained in the next report to shareholders.	Not applicable.
Benefits			
An appropriate package of market competitive benefits to ensure executives are rewarded and focused.	Benefits may include, but are not limited to: – healthcare – school fees – company cars/transport (or cash allowance) – life insurance – relocation: when relocation is required by the Company – tax equalisation: where the director becomes tax resident in a jurisdiction as a result of the role and to the extent that additional taxes are paid and related advisory fees. As the Company operates internationally it may be necessary for the Committee to provide special benefits or allowances, for example (but not limited to) benefits customarily included in the country where the Executive Director resides. These would be disclosed to shareholders in the annual report on remuneration for the year in which the benefit or allowances were paid.	The value of benefit is based on the cost to the Company and there is no predetermined maximum limit. The range and value of the benefits offered are reviewed periodically.	Not applicable.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Pension (or cash allowance)			
An appropriate level of pension contribution to ensure executives are provided with a retirement standard commensurate with their role, whilst being in line with the wider workforce.	The Company operates defined contribution arrangements in its main operational jurisdictions and executives participate in these arrangements. A cash supplement in lieu of pension may be paid provided the total pension payment does not exceed the maximum opportunity.	The maximum pension cash allowance (or pension contribution as appropriate) in line with the predominant pension contribution made for the wider global workforce which is currently 10% of salary.	Not applicable.
Performance Related Variable Remuneration			
Short – Term Incentives			
To provide alignment between the successful delivery of the short-term annual strategic business priorities and reward.	Executive Directors are eligible to participate in an Annual Bonus Plan under which annual bonus is earned subject to the achievement of performance over the financial year against targets set by the Committee at the start of each financial year. No bonus is payable for performance below threshold level, 25% for threshold and up to 50% of maximum pays out for on-target performance. Half of any bonus will normally be deferred into an award over shares, typically for a period of three years. Dividend equivalents may be accrued on deferred shares based on dividends paid to shareholders during the vesting period. These may accrue either in cash or shares on a reinvestment basis. Malus and clawback provisions apply.	Maximum of 200% of salary	Performance measures and weightings are reviewed annually to ensure they continue to support the achievement of the Company's key strategic priorities. Annual bonus financial targets are set with reference to internal plans and analyst consensus forecasts. Details of the performance measures for 2023 are shown on page 123. The Committee has discretion to adjust formulaic outcomes if they are not considered to be representative of the overall financial performance of the Group. Any adjustments applied will be explained in the relevant annual report on remuneration.

Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Long-Term Incentive Plan (LTIP)			
To incentivise and reward participants over the long-term for sustained delivery of the business strategy and shareholder value. Provides longer term alignment with the shareholder experience.	Performance share awards may be granted. In usual circumstances awards vest after a three-year period, subject to the achievement of performance targets measured over three financial years. Normally, vested shares are subject to a holding period of two years (shares may be sold at vesting to satisfy any tax-related liabilities). 25% of the award value will vest for threshold performance and 62.5% of the award value will vest for target performance. Dividend equivalents may be accrued on the shares earned from LTIP awards based on dividends paid to shareholders during the vesting period. In line with the LTIP rules, dividend equivalents may also accrue during any applicable post-vesting holding period. These may accrue either in cash or shares on a reinvestment basis. Malus and clawback provisions apply.	The maximum face value of awards relating to a financial year of the Company will be 300% of base salary.	Performance is measured over three financial years. Performance measures for the 2023 award are EPS, business development and portfolio expansion, TSR and ESG, applying 30%, 30%, 20% and 20% respectively. Further details are on page 124. The Committee will set appropriate performance measures for future years. LTIP targets are set with reference to a range of relevant reference points which may include internal plans and analysts' consensus forecasts. The Committee has discretion to adjust formulaic outcomes if they are not considered to be representative of the overall financial performance of the Group. Any adjustments applied will be explained in the relevant annual report on remuneration.
Shareholding policy			
To provide alignment between the interests of Executive Directors and shareholders over the longer term.	*In-employment shareholding policy* Shareholding guidelines for all Executive Directors will be at least 300% of salary. Executive Directors are expected to build up their shareholding guideline within a 5-year period from their date of appointment to the Board. *Post-cessation shareholding policy* All Executive Directors will be required to hold the lower of (i) their shareholding at the date of termination of employment; or (ii) shares equivalent to the minimum share ownership guideline at that date, for a period of two years post-employment.	Not applicable.	Not applicable.

Notes to the Remuneration Policy table

Malus and clawback

Annual bonus and LTIP awards are subject to malus and clawback provisions that protect the Company and shareholders. Under these provisions (including a deferred element) the Committee can reduce or cancel awards under the annual bonus and LTIP that have not yet vested (malus) and recover the value of an award that has vested or been paid (clawback). Malus can be applied to an alternative unvested award to satisfy the clawback of a vested award.

The Committee may apply malus and/or clawback to annual bonus and LTIP awards in circumstances which include (without limitation):

- a material misstatement in the published results of the Group or one of its members
- an error in assessing any applicable performance condition or target and/or the number of shares subject to an award
- the assessment of any applicable performance condition or target and/or the number of shares subject to an award being based on inaccurate or misleading information
- gross misconduct on the part of the Executive Director concerned
- an unreasonable failure to protect the interests of employees or customers of the Group
- a breach by the Executive Director concerned of any restrictive, confidentiality or non-disparagement covenants or other similar undertakings contained in any agreement between the Company and the Executive Director
- where, as a result of an appropriate review of accountability, the Committee determines that the Executive Director has caused wholly or in part a material loss for the Group as a result of (i) reckless, negligent or wilful actions or omissions; or (ii) inappropriate values or behaviour
- a Group member being censured by a regulatory body or suffers, in the Committee's opinion, a significant detrimental impact on its reputation
- the Company or entities representing a material proportion of the Group becomes insolvent or otherwise suffers a corporate failure
- participant having deliberately misled management, the Board, or the investor community

All of these malus and clawback provisions are applicable to annual bonus and LTIP awards. The following table summarises the normal application of malus and clawback in respect of the incentive plans:

Application to annual bonus	Cash bonus	Clawback available for three years from date of payment
	Deferred share award	Malus/clawback available for five years from date of award
Application to LTIP	Three-year vesting period Two-year holding period	Malus/clawback available for six years from date of award

Service contracts

The Committee's policy for service contracts is:

- a maximum 12-month notice period applies. The Committee may in exceptional circumstances arising on recruitment allow a longer notice period, which would in any event reduce to 12 months following the first year of employment
- there are no contractual arrangements that would:
  - constitute liquidated damages clauses
  - guarantee a pension with limited or no abatement on severance or early retirement
  - provide for compensation for loss of office or employment that occurs because of a takeover bid

Service contracts can be viewed by shareholders either at the AGM or at the Company's offices. The Company Secretary will make arrangements upon request.

Recruitment remuneration

The Committee's normal approach to internal and external recruitment is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the international market in which the Company competes.

The Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

The table below summarises the adjustments to the 2023 Policy with respect to recruitment of Executive Directors. Other than these potential adjustments, other package elements would be in accordance with the main 2023 Policy elements.

Component	Policy
Maximum level of variable remuneration	In exceptional circumstances, solely for the year of recruitment, the maximum level of variable remuneration available may be increased by 150% of salary to 650%.
Share buy-outs/ replacement awards	The Committee's policy is to not provide share buy-outs as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justify the provision of a buy-out, any awards will have regard to the terms and value of the arrangements that will be forfeited on cessation of a Director's previous employment and will be calculated taking into account the following: – the proportion of the performance period completed on the date of the Director's cessation of employment – the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied – any other terms and conditions having a material effect on their value (lapsed value) Any such compensation will be subject to clawback if the Director leaves the Company voluntarily within a fixed time period determined by the Committee. Where possible, the Committee will use existing share-based plans to grant such awards. However, in the event that these are not appropriate, the Committee retains the discretion to use the exception in Listing Rule 9.4.2 for the purpose of making an award to compensate the individual for amounts forfeited upon leaving a previous employer.

Payment for loss of office

When considering termination payments, the Remuneration Committee takes account of the best interests of Hikma and the individual's circumstances, including the reasons for termination, contractual obligations and the rules governing certain items of remuneration (e.g., incentive plan rules). The Remuneration Committee will ensure that there are no unjustifiable payments for failure on termination of employment. On an Executive Director ceasing to hold office, the Company will announce an out-going Executive Director's remuneration arrangements in accordance with applicable legal requirements.

Component	Approach	Application of Remuneration Committee discretion
General	The Committee's policy in relation to leavers can be summarised as follows: – the Committee will honour Executive Directors' contractual entitlements – if a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case – If, in the normal course of events, the Executive Director works their notice period (12 months for existing Executive Directors) they will receive contractual compensation payments and benefits during this time – in the event of the termination of an executive's contract and Hikma requesting the executive to cease working immediately, the Company may make a payment in lieu of notice equivalent to salary, pension entitlements and value of other benefits and, on a discretionary basis and only where it is in Hikma's interest, a pro-rated performance related bonus – in the event of termination for gross misconduct, neither notice nor payment in lieu of notice will be given and the executive will cease to perform services immediately	The Company may make additional payments where such payments are made in good faith in discharge of an existing legal obligation (including statutory payments that are required in any relevant jurisdiction) or by way of damages for breach of such an obligation; by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment; for agreeing to non-compete, non-solicitation and confidentiality clauses; for insurance cover for a specified period following the termination date, outplacement services, legal fees or repatriation assistance. Discretion to make payments in lieu of notice.

Component	Approach	Application of Remuneration Committee discretion
Annual bonus	Under the rules of the Annual Bonus Plan there is no entitlement to a bonus payment if termination occurs before the normal bonus payment date but the Committee may exercise its discretion to pay a bonus depending on the circumstances of the departure. If any bonus is payable it will be made in such proportions of cash and shares, and subject to such deferral arrangements, as the Committee may determine and will usually be time pro-rated to take account of the proportion of the financial year that has elapsed on the date the Executive Director ceases active service.	The Committee may use its discretion to: – determine an entitlement to a bonus payment – determine that an Executive Director is treated as ceasing employment on the day they give or receive notice – disapply time pro-rating for a good leaver when determining any bonus payment – determine any applicable deferral arrangements. An explanation will be provided to shareholders of the basis of any application of discretion.
Annual bonus (deferred shares)	The treatment of unvested deferred bonus awards on the cessation of employment is governed by the rules of the Deferred Bonus Plan: – Unvested deferred bonus awards held by a 'good leaver'[1] will vest on the normal vesting date unless the Committee exercises its discretion to allow vesting to be accelerated to the date of cessation of employment or another date – If the relevant individual ceases employment by reason of limb b) or c) of the definition of 'good leaver'[1], the Committee may decide that their deferred bonus awards will, instead of vesting, be exchanged for equivalent awards over another company's shares – If an individual is not a 'good leaver', any unvested deferred bonus awards will lapse – Special rules apply in the case of death – Save as summarised above, awards will continue to be subject to their original terms, including malus, clawback and holding periods, but the Committee has discretion to accelerate the release of awards for leavers.	Deferred bonus awards held by a 'good leaver'[1] will normally vest and be released at the usual time, but the Committee may use its discretion to accelerate vesting and release of awards. An explanation will be provided to shareholders of the basis of any application of discretion.
LTIP	The treatment of LTIP awards on the cessation of employment is governed by the rules of the Long Term Incentive Plan: – Awards held by a 'good leaver'[1] will normally vest, to the extent determined by the Committee under the rules and time pro-rated to take account of the proportion of the performance period that has elapsed, on the normal vesting date, unless the Committee exercises its discretion to allow vesting to be accelerated to the date of cessation of employment or another date and/or to disapply time pro-rating – If the relevant individual ceases employment by reason of limb b) or c) of the definition of 'good leaver'[1], the Committee may decide that their LTIP awards will, instead of vesting, be exchanged for equivalent awards over another company's shares – If an individual is not a 'good leaver', any unvested LTIP awards will lapse – Special rules apply in the case of death. – Save as summarised above awards will continue to be subject to their original terms, including malus, clawback and holding periods, but the Committee has discretion to accelerate the release of awards for leavers.	Where an Executive Director is determined to be a 'good leaver'[1] awards will normally vest and be released at the usual time, subject to the relevant performance targets, and pro-rated for time served during the performance period. However, the Committee may use its discretion to disapply time pro-rating. An explanation will be provided to shareholders on the basis of any application of discretion.

1. An individual will be treated as a 'good leaver' under the rules of the Deferred Bonus Plan and the Long-Term Incentive Plan if the termination of their employment is because of
a. ill-health, injury or disability to satisfaction of Committee;
b. the employing company ceasing to be under the control of the Company;
c. a transfer of the undertaking, or part of the undertaking, in which the participant works to a person which is neither under the control of the Company nor a Group company; or
d. any other reason at the discretion of the Committee.

Change in control

Component	Approach	Application of Remuneration Committee discretion
Annual bonus	The treatment of bonus is governed by the rules of the Annual Bonus Plan and the Deferred Bonus Plan. The Committee may determine that bonus awards for the year during which the change of control occurs may either continue to be determined on the basis of the whole year or may be pro-rated to the date of the change of control. Any unvested deferred bonus awards will normally vest early on the relevant corporate event.	The Committee will use its discretion to treat the calculation of bonuses differently if there are good reasons for doing so.
LTIP	The treatment of unvested LTIP awards is governed by the rules of the Long Term Incentive Plan. Any unvested LTIP awards will normally vest early on the relevant corporate event to the extent determined by the Committee in accordance with the rules of the LTIP, having regard to performance assessed on such basis as the Committee considers appropriate in the circumstances and (unless the Committee decides otherwise) time pro-rating. Vested awards subject to a holding period will be released early.	The Committee will use its discretion to treat the calculation of unvested share awards differently if there are good reasons for doing so.

Legacy arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office, including the exercise of any discretions available to it in connection with such payments (notwithstanding that they are not in line with this policy), where the terms of payment were agreed:

- before the date the Company's first Remuneration Policy came into effect
- before this policy was approved and implemented, provided that the terms of the payment were consistent with the Remuneration Policy in force at the time they were agreed
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment is not in consideration for the individual becoming a Director of the Company

Details of any such payments will be set out in the applicable annual report on remuneration as they arise.

For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Remuneration Committee discretion

The Committee retains discretion in the operation and administration of the Remuneration Policy, noting that no material changes will be made to the advantage of the Executive Directors without obtaining shareholder approval. Any use of discretion and how it was exercised will be disclosed, where relevant, in the annual report on remuneration.

This includes (but is not limited to) the following:

- the Executive Directors' participation in the Company's incentive plans
- the timing of awards including grant, vesting and release dates
- the form and size of awards and vesting levels within the limits set out in this policy
- the performance measures and weighting for annual bonus and LTIP awards within the terms set out in this policy
- the adjustment of formulaic outcomes of incentive awards where the outcomes are not reflective of overall Company performance or aligned with shareholder and/or wider stakeholder experience
- the settlement of any share awards in cash in exceptional circumstances where permitted by the relevant share plan rules
- the determination of good leaver status and treatment of unvested awards in line with this policy and incentive plan rules
- the extent to which malus and clawback should apply to any award
- the treatment of awards in the case of a change of control, including the vesting level of LTIP awards or if awards will, instead of vesting early, be exchanged for, or replaced with, equivalent awards over shares in another company
- the treatment of awards in the case of a demerger or certain other corporate events including a rights issue, corporate restructuring or the issue of special dividends, in which circumstances the Committee may, if it considers that the relevant event would materially affect the value of the Company's shares, adjust deferred bonus and LTIP awards or decide that they will vest and be released early
- the amendment or replacement of performance measures and targets where it reasonably considers it appropriate to do so, provided that the amended conditions are not materially less challenging

Differences between the policies for Executive Directors and employees, consideration of shareholder views and consideration of conditions elsewhere in the Group

Employees were not directly consulted on the executive remuneration policy. All employees receive a salary, pension, and medical insurance on a similar basis to the Executive Directors. Additionally, all employees participate in a cash bonus scheme, which is similar to the cash element of the annual bonus. The Committee reviews detailed internal and summary benchmarking data and is satisfied that the level of remuneration is proportionate across the HR grades. Further information is available on page 95 regarding how the Committee takes account of shareholder views when developing and implementing the remuneration policy, with further information on page 23.

Remuneration Policy table for the Chair and Non-Executive Directors

Non-Executive Directors' (NEDs) fees are set by the Board under the direction of the Executive Directors having considered the:

- pay practice in FTSE and sector peers
- extensive travel required to undertake the role
- significant guidance and support required from the NEDs

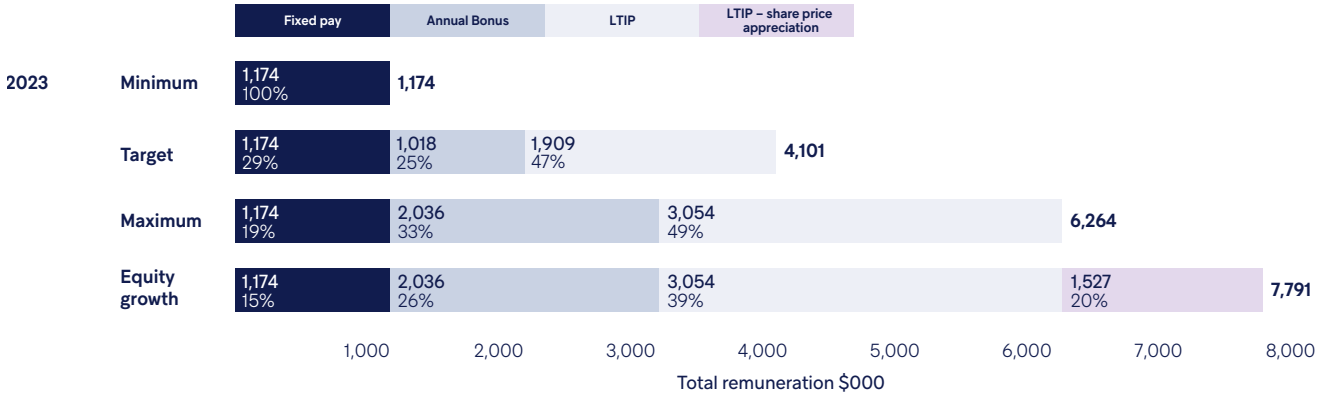
NEDs do not participate in the Group's pension or incentive arrangements. The annual fees payable to newly recruited NEDs will follow the policy for fees payable to existing NEDs, whose fees comprise:

Component	Approach	Application of Remuneration Committee discretion
Basic fee	An underlying fee for undertaking the duties of a Director of Hikma, chiefly relating to Board, strategy, and shareholder meetings. Provides a level of fees to support recruitment and retention of NEDs with the necessary experience.	Whilst there is no maximum, the practice is to remain within the parameters of FTSE peers.
Committee membership fee	A composite fee for taking additional responsibilities in relation to Committee membership. Usually, NEDs are members of at least three committees.	
Committee Chair/employee engagement fee	The Committee Chairs undertake additional responsibilities in leading a committee and are expected to act as a sounding board for the executive that reports to the relevant committee. The Director responsible for employee engagement receives a similar fee due to the additional requirements of that role. The chairmanship fee is paid in addition to the membership fee.	
Expenses	The Company pays expenses incurred wholly in relation to the position of NEDs and ensures that Directors do not incur a tax liability as a result. The Company retains discretion to provide for an allowance structure as an alternative to the latter payment.	

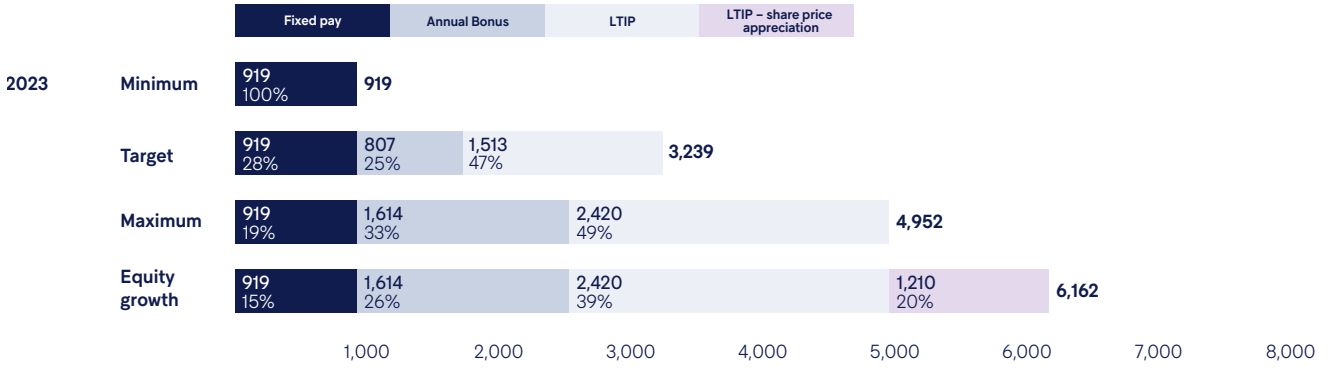
Illustrations of application of Remuneration Policy

The following charts show the potential available for 2023 (dependent upon performance) for Executive Directors under the new policy.

Said Darwazah



Mazen Darwazah



The scenarios in the graphs are as follows:

- fixed pay includes salary, benefits, and pension. The numbers are based on the base salary for 2022, the cost of transportation and medical benefits provided and a pension contribution of 10% of base salary.
- annual bonus is shown as a maximum percentage of base salary, with minimum, target and maximum performance shown as 0%, 50% and 100% respectively.
- LTIP is shown as a maximum of base salary, with minimum, target and maximum performance shown as 0%, 62.5% and 100% respectively.
- share price appreciation has been calculated as a 50% increase in the value of the LTIP between the date of grant and vesting
- no dividend accrual has been incorporated in the values relating to the LTIP

Shareholders were consulted during the process and details of the consultation and points considered are included in the Chair letter on page 95 and the engagement with shareholders found on page 23.

The Committee considered the operation of the remuneration policy in terms of the Corporate Governance Code as follows:

Clarity: the Committee regularly engages with shareholders, their representative bodies and management to explain the approach to executive pay.

Simplicity: the rationale, structure and strategic alignment of each element of pay has been explained in the remuneration policy.

Risk: there is an appropriate balance between fixed and variable pay together with objectives that ensure there is alignment with long-term shareholder interests. This alignment is further strengthened under the new 2023 Policy.

Predictability: the pay opportunity under different performance scenarios is set out in the illustration above.

Proportionality: executives are incentivised under the EIP to achieve stretching annual targets. Additionally, the new 2023 Policy builds in stretching targets over three-year performance periods. The Committee assess performance holistically and the end of each performance period against underlying business results together with internal and external context.

Alignment with culture: Hikma's purpose and values can be reinforced under the strategic objectives under the EIP and under both the annual bonus and LTIP of the new 2023 Policy.

Annual report on remuneration

Annual report on remuneration

Director and average employee compensation change (audited)

The table below shows the percentage change in the Executive Chairman and CEO's Salary , benefits and bonus for the three years between 2019 and 2022 compared with the percentage change in the average of each of those components of pay for employees (excluding the Executive Directors).

Director and average employee compensation change – salary	Salary			Benefits			Bonus		
	Average percentage change			Average percentage change			Average percentage change		
	2019-2020	2020-2021	2021-2022	2019-2020	2020-2021	2021-2022	2019-2020	2020-2021	2021-2022
Said Darwazah	0.0%	0.0%	0.0%	-15.6%	-21.1%	-3.0%	-1.3%	-16.6%	-39.5%
Siggi Olafsson	3.0%	3.0%	-48.3%	-72.3%	-76.8%	-48.4%	5.2%	-11.5%	-100.0%
Mazen Darwazah	0.0%	5.0%	3.5%	0.7%	-29.8%	-51.8%	-1.1%	-6.1%	-15.0%
Patrick Butler[1]	2.0%	-2.8%	-8.2%	0.0%	0.0%	0.0%	–	–	–
Ali Al-Husry[1]	3.5%	5.4%	-7.6%	-39.7%	-63.6%	-100.0%	–	–	–
Pamela Kirby[1]	2.9%	5.4%	-71.0%	0.0%	0.0%	0.0%	–	–	–
John Castellani[1]	2.9%	5.4%	-8.2%	-23.9%	-29.7%	134.8%	–	–	–
Nina Henderson[1]	2.9%	5.4%	-2.8%	-17.8%	-29.7%	-40.9%	–	–	–
Cynthia Flowers[1]	76.9%	5.4%	-7.9%	0.0%	-28.7%	-24.5%	–	–	–
Douglas Hurt[1]	–	85.8%	-8.4%	0.0%	0.0%	0.0%	–	–	–
Laura Balan[1,2]	–	–	–	–	–	–	–	–	–
Victoria Hull[1,2]	–	–	–	–	–	–	–	–	–
Deneen Vojta[1,2]	–	–	–	–	–	–	–	–	–
Employees	2.0%	3.9%	2.8%	1.0%	6.7%	2.7%	0.0%	8.9%	-9.8%
Average per Employee	0.8%	3.7%	1.7%	-0.2%	-0.2%	8.3%	-1.2%	0.2%	-2.9%
Average per the listed parent Company Employee	1.3%	16.1%	11.5%	34.8%	-54.3%	-39.2%	5.7%	17.9%	-16.2%

1. Non Executive Directors do not participate in the EIP.
2. These Non Executive Directors joined during 2022 and therefore there is no change in salary or benefits.

Hikma's pay review, which took effect from 1 January 2023, awarded average percentage increases in wages and salaries of 4% (2022 3.5%) for existing employees (with certain exceptions for jurisdictions experiencing very high inflation). The nature and level of benefits to employees in the year ended 31 December 2022 were broadly similar to those in the previous year (2021: unchanged).

UK gender and CEO pay ratios

Hikma Plc has 26 employees (who work for the Group holding company) and, as a result, is exempt from gender pay and average employee: CEO pay disclosure requirements. The small number of employees and significant diversity of roles and seniority in the UK makes meaningful gender pay comparisons in the UK difficult. The ratio of total CEO pay to the average Group employee is 23:1 using a simple average methodology. Hikma is committed to paying fairly and not discriminating on gender or other grounds.

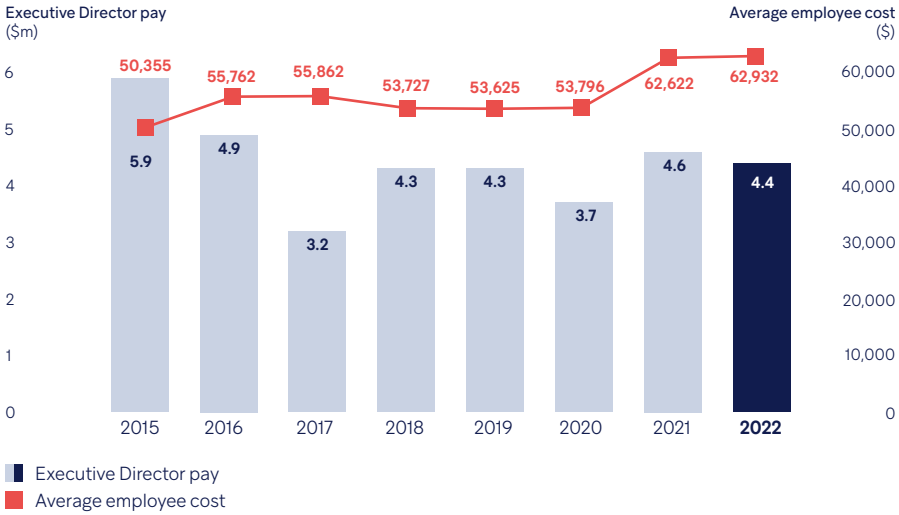
Relative importance of spend on pay

The following table sets out the total amount spent in 2021 and 2022 on remuneration of Hikma's employees and major distributions to shareholders.

Distribution expense	2021	2022	% change from 2021 to 2022
Employee	$583 million	$593 million	**1.7%**
Distributions to shareholders[1]	$120 million	$125 million	**4 %**

1. The Company purchased 12,499,670 shares during 2022 at a cost of $303 million, which is excluded from the distributions to shareholders in accordance with the regulations. Those shares are held in treasury and do not receive dividends.

Employee cost and average executive pay ($m)



Committee membership and attendance

Members and attendance

Member	Meetings	Attendance
Dr Pam Kirby (retired 25 April 2022)	2/2	100%
Nina Henderson (Chair appointed 25 April 2022)	11/11	100%
Pat Butler [1]	10/11	91%
John Castellani [1]	10/11	91%
Cynthia Flowers [1]	10/11	91%
Douglas Hurt	11/11	100%
Laura Balan (appointed 1 October 2022)	2/2	100%

1. Pat Butler, John Castellani and Cynthia Flowers were unable to attend one unscheduled meeting due to pre-existing commitments.

Advice and support

The Committee seeks the assistance of senior management (Executive Chairman and CEO, EVP Organizational Development, VP Total Reward and Company Secretary) on matters relating to policy, performance and remuneration but ensures that no director takes part in discussions relating to their own remuneration or benefits.

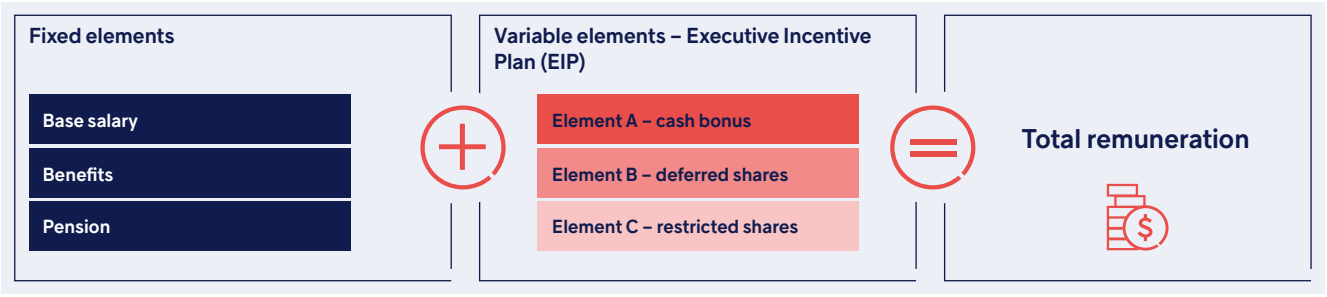
Willis Towers Watson (WTW) continue to provide independent advice to the Committee in relation to market practice, UK corporate governance best practice, incentive plan review and target setting. The total fees for advice to the Committee during the year, including the detailed review of the Policy that was undertaken in 2022, were$ 285,234 (2021: $39,383). WTW were appointed by the Committee in 2016 following a competitive tender process. WTW adheres to the Remuneration Consultants Group Code of Conduct. They charge their fees on a time spent basis.

The Committee is satisfied that WTW team providing remuneration advice do not have connections with Hikma that may impair their independence.

During the year the Committee instructed Mercer to conduct a region specific benchmarking exercise for which a fee of $6,000 (2021:$8,000) was paid. Mercer are a recognised expert in the region in question.

Except as disclosed on page 81 Hikma has complied with all the relevant principles and provisions of the UK Corporate Governance Code throughout the year.

A description of the EIP structure applicable for 2020-2022 is provided in full on pages 79 to 84 of the 2019 Annual Report. A description can also be found on the website at www.hikma.com/investors/corporate-governance/key-committees/remuneration-committee. This policy was approved at the AGM held on 30 April 2020 and took effect from this date.



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

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

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

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

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

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

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

In relation to disclosure of performance targets:

- Prior year (2022): full details of the previous year's performance targets, their level of satisfaction and the resulting performance remuneration are disclosed on pages 114 to 117
- Future year (2023): the nature and weighting of future performance targets under the new 2023 Policy, are disclosed on pages 123 and 124.

Malus and clawback provisions apply.

Salaries, benefits and pension
Please see Chair's letter (page 96) for commentary on salaries. The application of benefits remains unchanged and pensions are aligned with the wider workforce under the proposed 2023 Policy.

		Salary		Change
Executive Director	Individual	**2023**	2022	%
Executive Chairman/CEO	Said Darwazah	**$1,018,000**	**$1,018,000**	0%
Executive Vice Chairman	Mazen Darwazah	**$ 806,787**	$ 779,504	3.5%

Single total figure (audited)
The following table shows a single figure of remuneration[1] in respect of qualifying services for the 2022 financial year, together with the comparable figures for 2021.

Director	Year	Salary	Benefits	Bonus (EIP elements A and C)	Shares vested (EIP element B)[2]	Pension	Total	Total fixed	Total variable
Said Darwazah	2022	1,018,000	53,798	948,544	1,313,964	67,772	3,402,078	1,139,570	2,262,508
	2021	1,018,000	55,465	1,568,281	1,875,447	68,946	4,586,139	1,142,411	3,443,728
Siggi Olafsson [3]	2022	603,132	19,563	–	1,480,518	82,500	2,185,713	705,195	1,480,518
	2021	1,166,990	37,930	1,895,381	2,047,007	160,050	5,307,358	1,364,970	3,942,388
Mazen Darwazah	2022	779,584	31,410	1,047,776	919,070	62,626	2,840,466	873,620	1,966,846
	2021	753,144	65,166	1,232,175	1,294,742	58,484	3,403,711	876,794	2,526,917

1 All figures are in (USD)
2 Share price at vesting date was $ 27.9 (£ 20.83 and foreign exchange rate of $ 1.34 to 1 £)
3 Siggi Olafsson stepped down from the Board on 24 June 2022

The EIP performance criteria are detailed on pages 114 – 117

Benefits (audited)
Said Darwazah received transportation benefits of $34,922 (2021: $40,303) and medical benefits of $18,877 (2021: $15,162). Siggi Olafsson received transportation benefits of $11,662 (2021: $19,992) and medical benefits of $8,500 (2021: $17,938). Mazen Darwazah received transportation benefits of $12,534 (2021: $35,064) and medical benefits of $18,876 (2021: $30,102). Social security payments made in Jordan, that are required to be paid by Jordanian law, are not considered to be a benefit.

Pension (audited)
Said Darwazah and Mazen Darwazah participate in the Hikma Pharmaceutical Defined Contribution Retirement Benefit Plan (the Jordan Benefit Plan) on the same basis as other employees located in Jordan. Under the Jordan Benefit Plan, Hikma matches employee contributions made, up to a maximum of 10% of applicable salary. Participants become entitled to all of Hikma's contributions once they have been employed for ten years. Before that point, there is a staggered scale which starts at three years of employment. Said Darwazah and Mazen Darwazah have served for in excess of ten years and receive their benefits under the Jordan Benefit Plan because they are over 60 years of age. In respect of 2022, Siggi Olafsson received a pension contribution of $82,500. Hikma Pharmaceuticals PLC does not and has not operated a defined benefit scheme

Vested share awards (audited)
During 2022, the following share awards vested for Executive Directors. The total shares vested in 2022 are summarized in the following three tables.

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

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

The tables below detail share awards (Elements B and C) vesting during the year ended 31 December 2022. Whilst these shares vested during 2022, they are attributed to earnings as detailed in the paragraph above.

Said Darwazah — EIP	
Maximum number of shares capable of vesting – Element B[1]	47,169
Maximum number of shares capable of vesting – Element C[2]	38,862
Forfeiture	Nil
Vesting price	Nil
Number of vested shares	86,031
Total value of vested shares	$2,324,253

Siggi Olafsson — EIP	
Maximum number of shares capable of vesting – Element B[1]	53,148
Maximum number of shares capable of vesting – Element C[2]	42,676
Maximum number of shares capable of vesting – Element C[2]	72,000
Forfeiture	Nil
Vesting price	Nil
Number of vested shares	167,824
Total value of vested shares	$4,461,731

Mazen Darwazah — EIP	
Maximum number of shares capable of vesting – Element B[1]	32,993
Maximum number of shares capable of vesting – Element C[2]	26,514
Forfeiture	Nil
Vesting price	Nil
Number of vested shares	59,507
Total value of vested shares	$1,608,350

Policy deviation
During 2022, the Committee has not deviated from the remuneration policy approved by shareholders at the AGM on 30 April 2020 .

1. Share price at vesting date was $ 27.9 (£ 20.83 and foreign exchange rate of $ 1.34 to 1 £)
2. Share price at vesting date was $ 26.0 (£ 19.84 and foreign exchange rate of $ 1.31 to 1 £)

2022 Performance outcome: Executive Chairman and CEO (audited)

Readers are directed to the commentary on business performance that is included in the Chair's letter on pages 95 to 96.
The following table sets out the performance conditions and targets for 2022 and their level of satisfaction:

		Performance condition
Section	Description	Rationale and measurement
Financial	Core revenue	Historically, the pricing of generic pharmaceutical products has decreased with time. The Committee is cognisant that this could lead to declining revenue over the longer term, which could ultimately result in a declining business overall. By ensuring that a significant proportion of performance remuneration is based on revenue, the Committee is able to ensure that the Executive Directors are focused on mitigating pricing declines by maximising the potential of the in-market portfolio, launching new products, and developing the pipeline. See page 14 of the Strategic report for further detail on the performance related to this target.
	Core Operating Profit (COP) before R&D	Ultimately, COP is a key measure of value to Hikma's shareholders. Given the highly competitive business environment in which Hikma operates, the Executive Directors must focus continuously on optimising Hikma's cost base. The Committee wants the Executive Directors to deliver an optimised cost base without putting at risk the longer-term prospects of the business by underinvesting in R&D. Therefore, R&D costs have been excluded from this criterion. See page 14 of the Strategic report for further detail on the performance related to this target.
Strategic	Return on Invested Capital (ROIC)	Hikma invests significant capital to expand its product portfolio and pipeline and improving its high-quality manufacturing capabilities. Over the longer term, these activities ensure that margins can be maintained through manufacturing more complex/specialty products and capturing greater market share, respectively. The extensive range of capital investments have various timeframes for delivering new capabilities and enhancing Hikma's competitive position. The performance of previous and existing projects is monitored by the Board on a project by project basis. ROIC provides a Group-level method of assessing the time and cost to deliver projects and their ultimate returns over a one-year timeframe. See page 14 of the Strategic report for further detail on the performance related to this target.
	Review of Generics cost structure	The Board requested that the Executive Chairman and CEO work with the President of the Generics business to review the cost structure of the business to ensure that it is appropriate for the future (further commentary is available on page 96).
Total		

	Performance level				Achievement		Application
Weighting	Forfeiture 0% salary awarded	Minimum 75% of salary awarded	Target 250% of salary awarded	Maximum 400% of salary awarded	Results	Achievement	% of salary
40%	Target -30% $1,854M	Target -10% $2,385M	Target $2,649M	Target +10% $2,914M	Core revenue of $2,517M	Minimum to target	65.1%
40%	Target -30% $557 million	Target -10% $716 million	Target $796 million	Target +10% $876 million	COP before R&D of $740 million	Minimum to target	50.8%
10%	Target -30% 11.4%	Target -10% 14.7%	Target 16.3%	Target +10% 17.9%	ROIC of 14.9%	Minimum to target	9.7%
10%	Committee assessment of the achievement for reviewing the US Generic business cost and structures				Current status ascertained	Target	25%
100%	**Unacceptable**	**Acceptable**	**Good**	**Excellent**			**150.6%**

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

Participant		Calculation			Receive		
Executive	EIP Element	Salary	Maximum potential (% of salary)	Application % of salary	Value of bonus/shares	Receive	Notes
Executive Chairman	A	$1,018,000	150%	57.4%	$584,158	Cash now (February 2023)	All shares vesting are subject to a holding period after vesting. These shares may not be sold until 5 years after grant.
	B		150%	57.4%	$584,158	Shares in 2 years from February 2023	
	C		100%	35.8%	$364,386	Shares in 3 years from February 2023	
Total			**400%**	**150.6%**	**$1,532,702**		

2022 Performance outcome: Executive Vice Chairman (audited)

Readers are directed to the commentary on business performance that is included in the Chair's letter on pages 95 to 96.
The following table sets out the performance conditions and targets for 2022 and their level of satisfaction:

		Performance condition
Section	Description	Rationale and measurement
Financial	Core revenue	Historically, the pricing of generic pharmaceutical products has decreased with time. The Committee is cognisant that this could lead to declining revenue over the longer term, which could ultimately result in a declining business overall. By ensuring that a significant proportion of performance remuneration is based on revenue, the Committee is able to ensure that the Executive Directors are focused on mitigating pricing declines by maximising the potential of the in-market portfolio, launching new products, and developing the pipeline. See page 14 of the Strategic report for further detail on this target.
	Core Operating Profit (COP) before R&D	Ultimately, COP is a key measure of value to Hikma's shareholders. Given the highly competitive business environment in which Hikma operates, the Executive Directors must focus continuously on optimising Hikma's cost base. The Committee wants the Executive Directors to deliver an optimised cost base without putting at risk the longer-term prospects of the business by underinvesting in R&D. Therefore, R&D costs have been excluded from this criterion. See page 14 of the Strategic report for further detail on this target.
	MENA revenue	The Executive Director is responsible for this region. The Committee considered financial metrics to be the best method of ensuring delivery of the strategy that could be measured in an objective manner that is readily understandable by investors. Measured by target MENA revenue compared to audited MENA revenue for the year ended 31 December 2022. See pages 28 and 29 of the Business and financial review for further detail on this target.
	MENA COP before R&D	The Executive Director is responsible for this region. The Committee considered financial metrics to be the best method of ensuring delivery of the Board-approved strategy that could be measured in an objective manner that is readily understandable by investors. Measured by target MENA COP compared to audited MENA COP for the year ended 31 December 2022. To align the approach with the Group target, R&D and Group costs have been removed from the measurements of this target. See pages 28 and 29 of the Business and financial review for further detail on this target.
Strategic	Environmental, Social, and Governance Strategy	During 2022, the Board requested that the Vice Chairman lead the implementation of a number of environmental initiatives in the MENA region. These included identifying opportunities for on-site renewable energy, identifying and implementing scope 1 greenhouse gas emission initiatives, finalization of photovoltaic project for Jordan in order to support scope 2 reductions and piloting a water saving project in Jordan. Further commentary is available on page 96.
Total		

	Performance level				Achievement		Application
Weighting	Forfeiture 0% salary awarded	Minimum 75% of salary awarded	Target 250% of salary awarded	Maximum 400% of salary awarded	Results	Achievement	% of salary
25%	Target -30% $1,854m	Target -10% $2,384m	Target $2,649m	Target +10% $2,914m	Core revenue of $2,517m	Minimum to target	40.7%
25%	Target -30% $557m	Target -10% $716m	Target $796m	Target +10% $876m	COP before R&D of $740m million	Minimum to target	31.7%
15%	Target -23% $596 million	Target -10% $766 million	Target $851 million	Target +10% $936 million	MENA revenue of $862m million	Target to maximum	40.4%
15%	Target -30% $151 million	Target -10% $194 million	Target $216 million	Target +10% $238 million	MENA COP before R&D of $227 million	Target to maximum	48.8%
20%	Committee assessment of the achievements for improving the MENA region emissions and environmental performance based on the objectives set				Achievements against objectives reviewed	Target to max	58.4%
100%	**Unacceptable**	**Acceptable**	**Good**	**Excellent**			**220%**

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

Participant		Calculation			Receive		
Executive	EIP Element	Salary	Maximum potential (% of salary)	Application % of salary	Value of bonus/shares	Receive	Notes
Executive Vice Chairman	A	$779,504	150%	85.57%	$666,994	Cash now (February 2023)	All shares vesting are subject to a holding period after vesting. These shares may not be sold until 5 years after grant.
	B		150%	85.57%	$666,994	Shares in 2 years from February 2023	
	C		100%	48.85%	$380,782	Shares in 3 years from February 2023	
Total			**400%**	**220%**	**$1,714,770**		

Outstanding share awards (audited)

Hikma continued to operate the EIP in 2022. The outstanding share awards under the EIP in respect of each of the Executive Directors are:

Participant	Share scheme				Quantum		
Director	Scheme description[1]	Type of interest	Date of award	Date of vesting	Basis of award	Shares (max)	Face value[2]
Said Darwazah	**EIP Element C**	Conditional award	27-Feb-20	27-Feb-23	67% of salary	27,057	$685,078
	EIP Element B	Conditional award	25-Feb-21	25-Feb-23	116% of salary	34,827	$1,182,028
	EIP Element C	Conditional award	25-Feb-21	25-Feb-24	66% of salary	19,830	$673,028
	EIP Element B	Conditional award	25-Feb-22	25-Feb-24	101% of salary	34,652	$1,023,967
	EIP Element C	Conditional award	25-Feb-22	25-Feb-25	53% of salary	18,420	$544,311
Total						**134,786** (2021: 167,745)	**$4,108,412** (2021: $4,602,222)
Siggi Olafsson	**EIP Element C**	Conditional award	27-Feb-20	27-Feb-23	0% of salary	Lapsed	$795,709
	EIP Element B	Conditional award	25-Feb-21	25-Feb-23	0% of salary	Lapsed	$1,409,434
	EIP Element C	Conditional award	25-Feb-21	25-Feb-24	0% of salary	Lapsed	$842,934
	EIP Element B	Conditional award	25-Feb-22	25-Feb-24	0% of salary	Lapsed	$1,217,194
	EIP Element C	Conditional award	25-Feb-22	25-Feb-25	74% of salary	Lapsed	678,202
Total						**–** (2021: 265,613)	**$ 4,943,473** (2021: $6,954,511)
Mazen Darwazah	**EIP Element C**	Conditional award	27-Feb-20	27-Feb-23	67% of salary	18,831	$476,800
	EIP Element B	Conditional award	25-Feb-21	25-Feb-23	115% of salary	24,319	$825,386
	EIP Element C	Conditional award	25-Feb-21	25-Feb-24	66% of salary	13,903	$471,868
	EIP Element B	Conditional award	25-Feb-22	25-Feb-24	102% of salary	26,812	$792,295
	EIP Element C	Conditional award	25-Feb-22	25-Feb-25	56% of salary	14,844	$438,640
Total						**98,709** (2021: 116,560)	**$3,004,989** (2021: $3,201,170)

1. The performance criteria for Elements B and C of the EIP are assessed before a grant is considered. Additionally, Element B is subject to forfeiture criteria for the first two years after grant, which are detailed each year as part of the next year's EIP performance criteria on pages 114 to 117
2. The face value is the value at the point of grant which is the 30-day average to the 31 December of the performance year. The face value (30-day average price) in respect of awards granted in 2020 $25.32 (£19.30p), and 2021 $33.94 (£25.25p), and 2022 $29.55(£22.20). The actual value received by Executive Directors under the share incentive arrangements is dependent upon the share price of Hikma at the time of vesting, the satisfaction of performance criteria and the non-occurrence of forfeiture events (EIP Element B only)
3. The minimum value of the awards at vesting will be the share price on the day of vesting multiplied by the number of shares vesting. If the Executive Director leaves employment during the vesting period, the normal position is that zero shares vest. If all the forfeiture conditions occur in each year of the vesting period under Element B only, zero shares will vest. The weighting of each forfeiture condition has a proportional impact on the vesting percentage under Element B only

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

Date	Market price (Closing price)
1 January 2022	2,189p
31 December 2022	1,552p
2022 Range (low to high)	1,191p to 2,191p
22 February 2023	1,753.5p

Dilution

In accordance with the guidelines set out by the Investment Association, Hikma can issue a maximum of 10% of its issued share capital in a rolling ten-year period to employees under all its share plans and a maximum of 50% of this (representing 5% of issued share capital) for discretionary share plans. The following table summarises the current level of dilution resulting from Hikma's share plans since 2013:

Type of plan	Granted in a rolling ten-year period	Granted during the year
Discretionary Share Plans (5% Limit)	3.98%	0.47%

Director share interests (audited)

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

	Darhold		Personal	
Director	Interest in Darhold	Effective Hikma shares	Shares (incl. connected people)	Total shareholding
Said Darwazah	22.33%	13,400,924	736,101	14,137,025
Mazen Darwazah[1]	11.25%	6,752,547	1,308,357	8,060,904
Ali Al-Husry[2]	8.26%	4,955,119	1,162,811	6,117,930

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

The following table sets out details of the Directors' shareholdings in Hikma as at 31 December 2022 and, where there are shareholding requirements, whether these have been met:

	Ownership requirements			Total	Scheme Interests		Total
Director	Percentage of salary	Number of shares	Requirement fulfilled?	Shares owned[3]	EIP subject to performance (Element B)	EIP subject to service (Element C)	Share interests
Said Darwazah	**300**%	162,831	Yes	14,137,025	69,479	65,307	14,271,811
Siggi Olafsson[6]	**300**%	96,455	Yes	223,337	–	–	223,337
Mazen Darwazah[4]	**300**%	124,673	Yes	8,060,904	51,131	47,578	8,159,613
Ali Al-Husry[5]				6,117,930			6,117,930
Pat Butler				3,875			3,875
Dr Pamela Kirby[6]				4,817			4,817
John Castellani				3,500			3,500
Nina Henderson				7,100			7,100
Cynthia Flowers				1,100			1,100
Douglas Hurt				3,000			3,000
Laura Balan				–			–
Victoria Hull				–			–
Deneen Vojta				–			–

3. Including shares effectively owned through Darhold as per the table above
4. Mazen Darwazah holds his shares in Darhold Limited through a family trust, in which he has a beneficial interest
5. Ali Al-Husry holds his shares in Hikma and Darhold Limited through a family trust, in which he has a beneficial interest
6. The shareholding shown is as at the date they ceased to be a Director

There have been no changes in the interests of the Directors in the shares of Hikma between 31 December 2022 and the date of this report. The share price used to calculate whether the shareholding requirements have been met is the price on 31 December 2022 of £15.52p and foreign exchange rate of $1.209 to £1 on the same date.

Director share interests (audited) continued

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

Director	Date	Event	Number of shares
Said Darwazah	28-Feb-22	Vesting of 2020 EIP Element B. Retained all shares	47,169
Said Darwazah	11-Mar-22	Vesting of 2019 EIP Element C. Retained all shares	38,862
Siggi Olafsson	28-Feb-22	Vesting of 2020 EIP Element B. Retained some shares	53,148
Siggi Olafsson	11-Mar-22	Vesting of 2019 EIP Element C. Retained some shares	42,676
Siggi Olafsson	11-Mar-22	Vesting of 2019 EIP Element C. Retained some shares	72,000
Mazen Darwazah	28-Feb-22	Vesting of 2020 EIP Element B. Retained all shares	32,993
Mazen Darwazah	11-Mar-22	Vesting of 2019 EIP Element C. Retained all shares	26,514
Douglas Hurt	3-Mar-22	Market Purchase of Shares	1,500

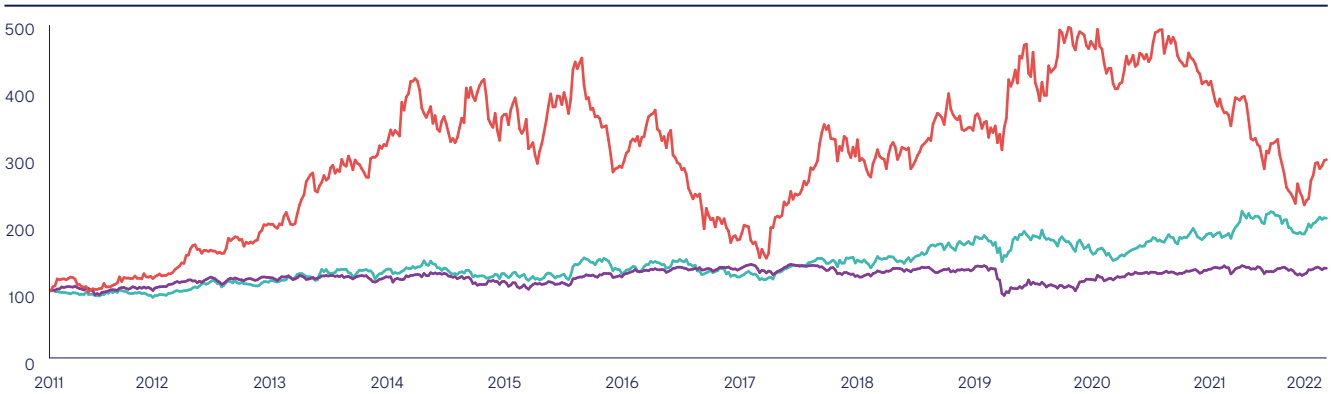
Scheme interests

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

	Type of interest		Share interests with performance measures		Vested but unexercised
Director	Shares	Share options	Yes	No	
Said Darwazah	134,786	–	69,479	65,307	–
Siggi Olafsson	–	–	–	–	–
Mazen Darwazah	98,709	–	51,131	47,578	–
All other directors	–	–	–	–	–

Total shareholder return

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



Hikma Pharmaceuticals PLC
FTSE 100
FTSE 350/Pharmaceuticals & Biotechnology

Remuneration table

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

	Said Darwazah — Executive Chairman			Siggi Olafsson — Chief Executive Officer		
Year	Total	Bonus as % max[1]	Share awards as % max[2]	Total	Bonus as % max[1]	Share awards as % max[2]
2022	**$3,402,078**	**37%**	**38%**	**$2,185,713**	**0%**	**0%**
2021	$4,586,119	62%	67%	$5,307,358	65%	70%
2020	$4,059,653	73%	77%	$3,718,549	80%	83%
2019	$4,448,934	74%	78%	$4,121,724	78%	82%
2018	$4,501,217	88%	90%	$5,260,957	89%	91%
2017	$3,538,646	0%	0%	N/A	N/A	N/A
2016	$6,308,238	71%	68%	N/A	N/A	N/A
2015	$7,316,042	98%	98%	N/A	N/A	N/A
2014	$5,056,255	100%	70%	N/A	N/A	N/A
2013	$3,956,836	100%	62%	N/A	N/A	N/A

1. The 'Bonus as % max' column comprises cash under Element A of the EIP paid immediately and shares under Element C of the EIP that are released three years after grant
2. The 'Share awards as % max' column includes Element B of the EIP, shares that vest in two years from the date of grant provided that the Executive remains in employment and forfeiture events have not occurred

Non-Executive Directors (audited)

During the year, the Executive Directors reviewed the fees paid to Non-Executive Directors. The conclusion of the review was that the base fee should remain unchanged at £90,500 but the annual fees for the Remuneration Committee Chair increased to £20,000 (2022 £10,000), Nomination and Governance Committee Chair to £15,000 (2022 £10,000) and the Compliance, Responsibility and Ethics Committee Chair to £15,000 (2022 £10,000). It was also decided that a Senior Independent Director fee would be introduced of £15,000 per annum. The fee increases took effect from 1 January 2023.

These fee increases followed a benchmarking marking exercise under taken by Willis Towers Watson to ensure that Non-Executive Director remuneration was in line with market practice.

		Fee (all elements) $000		Taxable benefits[1] $000		Total $000	
Name	Board position	**2022**	2021	**2022**	2021(restated)[3]	**2022**	2021 (restated)[3]
Pat Butler	Senior Independent Director	**132.63**	145.44	**0.82**	0.66	**133.45**	146.33
Dr Pamela Kirby[2]	Remuneration Committee Chair	**44.95**	145.44	**00**	0.0	**44.95**	145.44
Ali Al-Husry	Non-Executive Director	**108.63**	118.38	**00**	7.12	**108.63**	128.02
John Castellani	CRE Committee Chair	**132.63**	145.44	**18.85**	6.50	**151.49**	154.23
Nina Henderson	Independent Director and Employee Engagement Lead	**140.19**	145.44	**7.52**	10.30	**147.72**	159.37
Cynthia Flowers	Independent Director	**120.63**	131.91	**7.01**	7.51	**127.64**	142.07
Douglas Hurt	Audit Committee Chair	**144.64**	158.97	**00**	0.43	**144.64**	159.54
Laura Balan[2]	Independent Director	**30.30**	0.0	**00**	0.0	**30.30**	0.0
Victoria Hull[2]	Independent Director	**20.20**	0.0	**0.21**	0.0	**20.41**	0.0
Deneen Vojta[2]	Independent Director	**20.20**	0.0	**2.58**	0.0	**22.78**	0.0

1. 'Taxable benefits' includes certain accommodation expenses for Non-Executive Directors that are wholly related to their attendance at Board meetings and are in accordance with normal Hikma expense policy. These expenses are treated as taxable benefits by the UK authorities and, where appropriate, the above figure excludes the corresponding tax contribution which will be adjusted during year 2023.
2. Pro-rated fees in respect of time served and position changes. Dr Pamela Kirby served as Chair of the Remuneration Committee until 25 April 2022 and retired from the Board on that date. Nina Henderson was appointed in her place..
3. The amount of taxable benefits has been restated by $23.54 as a correction from previous year.

Payments to past Directors (audited)

There were no payments made to past Directors during 2022.

Payments for loss of office (audited)

There were no payments for loss of office during the financial year (including for Siggi Olafsson leaving the Company).

Terms of appointment and service

Service contracts

The details of the service contracts of the Executive Directors of Hikma in force at the end of the year under review, which have not changed during the year and are available for inspection at Hikma's registered office at 1 New Burlington Place, London W1S 2HR, were:

Executive Director	Company notice period	Contract date	Unexpired term of contract	Potential termination payment
Said Darwazah	12 months	1 July 2007	Rolling contract	12 months' salary and benefits
Mazen Darwazah	12 months	25 May 2006	Rolling contract	12 months' salary and benefits

The Executive Directors are not appointed for a specified term and, therefore, do not have an outstanding term that requires disclosure.

Letters of appointment

The Non-Executive Directors have letters of appointment with Hikma, not service contracts, which are available for inspection at Hikma's registered office at 1 New Burlington Place, London W1S 2HR. Appointments are made for a period of 36 months and then reviewed.

Non-Executive Director	Date of appointment	Notice period
Ali Al-Husry	14 October 2005	1 month
Pat Butler	1 April 2014	1 month
John Castellani	1 March 2016	1 month
Nina Henderson	1 October 2016	1 month
Cynthia Flowers	1 June 2019	1 month
Douglas Hurt	1 May 2020	1 month
Laura Balan	1 October 2022	1 month
Victoria Hull	1 November 2022	1 month
Deneen Votja	1 November 2022	1 month

Hikma complies with the UK Corporate Governance Code requirement that all Directors be subject to election or annual re-election by shareholders.

External appointments

Hikma recognises that Executive Directors may be invited to take up non-executive directorships or public sector and not-for-profit appointments, and that these can broaden the experience, network and knowledge of the Director, from which Hikma can benefit. Executive Directors may accept external appointments as long as they do not lead to a conflict of interest and are allowed to retain any fees. During the year under review, Said Darwazah and Mazen Darwazah received fees of $4,100 (2021: $4,100), and $0 respectively (2021: $20,700), respectively, relating to external appointments which are detailed in their Director profiles on page 78.

Implementation of proposed 2023 Policy

In February 2023, the Remuneration Committee reviewed the base salaries for Executive Directors and agreed a 3.5% increase for the Executive Vice Chairman, effective 1 January 2023.

The salary of the Executive Vice Chairman was increased in 2023 to $806,786 (2022: $779,504) to become $806,786 (2022: $779,504), other benefits of 2023 $31,410 (2022: $31,410) and pension $64,811 (2022: $62,626)

Annual bonus design for year ending 31 December 2023

Subject to shareholder approval of the proposed 2023 Policy the measures and targets for the annual bonus plan will be reviewed annually by the Committee and those agreed for 2023 are:

			Weighting[1]	
Area	Description	Rationale	Executive Chairman and CEO	Executive Vice Chairman
Financial	Group/Division Revenue	Historically, the pricing of generic pharmaceutical products has decreased with time. The Committee recognizes that this could lead to declining revenue over the longer term, which could ultimately result in a declining business overall. By ensuring that a significant proportion of performance remuneration is based on revenue, the Committee is able to ensure that the Executive Directors are focused on mitigating pricing declines by maximising the potential of the in-market portfolio, launching new products, and developing the pipeline. Please see page 14 of the Strategic report for the detail on this target	30%	32%
	Group Core/ Divisional EBIT	Ultimately, core operating profit is a key measure of value to Hikma's shareholders. Given the highly competitive business environment in which Hikma operates, the Executive Directors must focus continuously on optimising Hikma's cost base.	50%	48%
Strategic	CEO onboarding	The Executive Chairman and CEO has been asked by the Board to ensure that the new CEO, when appointed, is effectively on-boarded so that they are fully effective in the role as quickly as possible. In addition, he has been asked to work with the new CEO to ensure the Executive Committee structure is appropriate and succession plans are in place.	10%	–
	Reduction in Scope 1 and 2 emissions	To ensure continued focus on Hikma's commitment to reduce scope 1 and 2 GHG emissions by 25% by 2030 (see page 46). The Committee has set a target reduction of 17% for 2023 from the 2020 base (excluding RECs). The Committee has set 15% reduction for threshold and a 19% reduction for the maximum.	10%	–
	Development of MENA business	To ensure that the MENA business has the production capability to meet its business plans the Committee has set the Executive Vice Chairman the target of ensuring that the feasibility and all government approvals for expansion of Hikma's facility in KSA are completed by the end of 2023.	–	7.5%
	Gender diversity	The Committee wants the MENA business, which currently has a lower participation of women in management positions than the rest of the Group, to focus on plans to meet the 3-year gender diversity goal which are set for the 2023 LTIP award. It has therefore set the Executive Vice Chairman a target of increasing the number of women in management positions by 9% in 2023. The Committee has set a threshold of no change and a 17% increase to qualify for the maximum achievement.	–	7.5%
	ESG	To ensure continued focus on Hikma's commitment to reduce scope 1 and 2 GHG emissions by 25% by 2030 (see page 46). The Committee has set the Executive Vice Chairman a target for the completion of energy audits in two MENA countries together with action plans for achieving reductions by the end of 2023.	–	5%

1. The financial weightings for the Executive Vice Chairman are 12% Group Revenue,18% Core EBIT, 20% MENA Revenue and 30% MENA Core EBIT

The Committee has discretion to adjust the pay out to reflect the underlying business performance and any other relevant factors. Details of the financial targets for the year ended 31 December 2023 will be disclosed retrospectively in next year's annual report on remuneration, by which time the Board will no longer deem them commercially sensitive.

Long term incentive awards to be made in year ending 31 December 2023

Subject to Shareholder approval of the new 2023 Policy, the Committee intends to issue a Performance Share Plan (PSP) award to the Executive Directors. Under the new 2023 Policy long-term incentive measures will be reviewed annually by the Committee and will be designed to drive Hikma business strategy and align with the delivery of value to shareholders. It is proposed that the following targets will be set for the 2023 award and measure over the period 1 January 2023 to 31 December 2025:

Measure	Rationale	Weighting	Threshold	Target	Maximum
Core compound EPS growth for 1 January 2023 to 31 December 2025	Alignment with shareholders return	30%	5%	8%	11%
Percentage of revenue from new business over 3 years	Developing revenue from new business is a key element of Hikma's business plan.	30%	13%	16%	19%
Relative TSR performance compared to FTSE 50-150 (excluding investment trusts)	Alignment with shareholders return	20%	Median	–	Upper quartile
Percentage of females on the Executive Committee and their direct reports	Increase the diversity of management	10%	30%	35%	40%
Achieve good water management at all Hikma's sites in MENA	Hikma has significant operations in water stressed countries in MENA.	10%	The following tasks have been set: – establishing water management systems and process, collecting and analysing robust data on water usage, – identifying gaps and opportunities for efficient water use and setting water efficiency targets. – By the end of H1 2024, targets should be set for sites in Jordan, Algeria, Egypt and KSA, and progress made against these targets by the end of 2025. – By the end of 2025, targets should be set for all other MENA sites.		

It is proposed that a PSP share award of 300% is made to the Executive Directors subject to the measures in the above table.

Closing statement

We have continued to develop our approach to remuneration reporting this year and the Committee hopes that this has aided your understanding of our Remuneration Policy and practices. Please do not hesitate to contact me if you have any questions or observations.

For and on behalf of the Remuneration Committee

Nina Henderson
Chair of the Remuneration Committee
22 February 2023

Other statutory disclosures

Directors' report and Strategic report

The Directors' report and Strategic report for the year ended 31 December 2022 comprise pages 72 to 129 and pages 1 to 71. This report forms the management report for the purposes of the Disclosure and Transparency Rules. Readers are asked to cross refer to the other sections of the Annual Report to the extent necessary to meet Hikma's reporting obligations as follows (statements that are not applicable have been excluded):

- Likely future developments of Hikma: Strategic report and the Business and financial review, pages 1 to 36
- Related party transactions: Note 39 to the Group financial statements, page 189
- Going concern statement: Risk management report, page 67
- Longer-term viability statement: Risk management report, page 68
- Greenhouse gas emissions: Sustainability report, pages 46 to 49
- Financial instruments and risk: Notes 2 and 29 to the Group financial statements, pages 151 and 175
- Stakeholder and S.172 Statement, pages 18 to 23

For the purposes of Listing Rule 9.8.4, shareholders are directed in accordance with the following table to notes in the consolidated financial Statements:

Item	Reference
Interest capitalised and associated tax relief	None
Publication of unaudited financial information	None
Details of long-term incentive schemes	See Note 38 on pages 187 and 188
Waiver of emoluments by Directors	None
Allotment of securities for cash, including by major subsidiaries	None
Controlling entities/parent undertakings of Hikma	None
Contracts of significance with a material interest of a Director or controlling shareholders	None
Services provided to Hikma by controlling shareholders	None
Arrangements by which shareholders have agreed to waive current or future dividends	See Note 31 on page 181
Controlling shareholder agreements and associated obligations	Hikma does not have any controlling shareholders within the meaning of the Listing Rules

Principal activity

The principal activities of Hikma are the development, manufacture and marketing of a broad range of generic, branded and in-licensed pharmaceutical products. Hikma's pharmaceutical operations are conducted through three business segments: Injectables, Branded and Generics. The majority of Hikma's operations are in the MENA region, North America and Europe. Hikma does not have overseas branches within the meaning of the Companies Act 2006 (the Act).

Hikma's net sales, gross profit and segmental results are shown by business segment in Note 5 to the Group financial statements on pages 156 and 157.

Results

Hikma's reported profit attributable to shareholders of Hikma Pharmaceuticals PLC for the year in 2022 was $188 million (2021: $421 million).

Dividend

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

Creditor payment policy

Hikma's policy, which is also applied by all subsidiaries and will continue in respect of the 2023 financial year, is to settle terms of payment with all suppliers when agreeing the terms of each transaction and to ensure that we abide by those terms of payment. Trade creditors of Hikma at 31 December 2022 were equivalent to 83 days' purchases (2021: 76 days), based on Group trade payables multiplied by 365, divided by trailing 12 months Group cost of goods sold.

Donations

During the year Hikma made charitable donations of over $5.0 million (2021: $4.0 million):

Type of donation	**Amount donated in 2022 ($)**	Amount donated in 2021 ($)
Local charities serving communities in which Hikma operates	1,022,963	763,155
Medical (donations in kind)	4,326,648	3,188,896
Political donations and expenditure	nil	nil
Total	**5,349,611**	**3,952,051**

Hikma's policy prohibits the payment of political donations and expenditure within the meaning of the Act.

Other statutory disclosures
continued

Research and development

Hikma's investment in research and development (R&D) during 2022 represented 5.7% of Group revenue (2021: 5.6%). Further details on Hikma's R&D activities can be found on pages 10 to 17.

Significant contracts

Due to the nature of Hikma's business, members of Hikma are party to agreements that could alter or be terminated upon a change of control of Hikma following a takeover. However, none of these agreements is individually deemed to be significant in terms of its potential impact on the business of Hikma taken as a whole. The Directors are not aware of any agreements between Hikma and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid. There are no persons, with whom Hikma has contractual or other arrangements, who are deemed to be essential to the business of Hikma.

Directors

It is the Board's policy that all Directors should retire and, should the Director wish to continue in office, seek election or re-election on an annual basis. Accordingly, Said Darwazah, Mazen Darwazah, Patrick Butler, Ali Al-Husry, John Castellani, Nina Henderson, Cynthia Flowers and Douglas Hurt will seek re-election at the AGM and Laura Balan, Victoria Hull and Deneen Vojta will seek election at the AGM.

Indemnities and insurance

Hikma maintains an appropriate level of Directors' and Officers' insurance. The Directors benefit from qualifying third-party indemnities made by Hikma that were in force during the year and as at the date of signing this report. These indemnities are uncapped in amount in relation to losses and liabilities which Directors may incur to third parties in the course of the performance of their duties.

Auditors

Each person who was a Director of Hikma at the date when this report was approved confirms that:

- so far as the Director is aware, there is no relevant audit information of which Hikma's auditors are unaware
- the Director has taken all the steps that they ought to have taken as a Director to make themself aware of any relevant audit information and to establish that Hikma's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Employee engagement

Nina Henderson is the designated Non-Executive Director to engage with the workforce under the Code and undertook the employee engagement activities, as described on page 75. Hikma continued to operate its existing employee engagement mechanisms which include intra-Group communications, social networking, an open door policy for legitimate union representatives and the operation of share incentive arrangements. Hikma does not discriminate against a potential employee on grounds of disability and will make reasonable adjustments to employ and develop disabled people.

Stakeholder engagement

Further information on the Board's engagement with stakeholders is detailed in our Section 172 Statement on pages 18 to 23.

Equity

Capital structure

Details of the issued share capital, together with movements in the issued share capital during the year, can be found in Note 31 to the Group financial statements on page 181. Hikma has one class of Ordinary Shares of 10 pence each (Shares) which carries no right to fixed income. Each share carries the right to one vote at general meetings of Hikma.

As at 31 December 2022:

Type	Nominal value	In issue	Issued during the year	Cancelled during the year
Shares	10 pence	233,069,085	1,237,467	12,499,670

During 2022, Hikma issued Shares solely pursuant to the exercise of options under the 2005 Long Term Incentive Plan, 2009 Management Incentive Plan, 2018 Management Incentive Plan, and 2014 Executive Incentive Plan.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provision Hikma's Articles of Association (the Articles) and prevailing legislation.

The Directors are not aware of any agreements between holders of Hikma's shares that may have resulted in restrictions on the transfer of securities or on voting rights. No person has any special rights with regard to the control of Hikma's share capital and all issued shares are fully paid.

Share buyback

At the Annual General Meeting (AGM) on 25 April 2022, shareholders gave the Directors authority to purchase shares from the market up to an amount equal to 10% of Hikma's issued share capital at that time. This authority expires at the earlier of 30 June 2023 or the 2023 AGM, which is scheduled for 28 April 2023. During 2022 12,499,670 Ordinary Shares were purchased and cancelled.

During 2020, the Company purchased 12,833,233 Ordinary Shares from Boehringer Ingelheim (the 'Treasury Shares'). The Treasury Shares are held in treasury and, accordingly, do not receive dividends and do not exercise voting rights.

Share issuance

At the AGM on 25 April 2022, the Directors were authorised to issue relevant securities up to an aggregate nominal amount of £8,144,559 and to be empowered to allot equity securities for cash on a non-pre-emptive basis up to an aggregate nominal amount of £1,221,683 at any time up to the earlier of the date of the 2023 AGM or 30 June 2023. The Directors propose to renew these authorities at the 2023 AGM for a further year. In the year ahead, other than in respect of Hikma's obligations to satisfy rights granted to employees under its various share-based incentive arrangements, the Directors have no present intention of issuing any additional share capital of Hikma.

Details of the employee share schemes are set out in Note 38 to the Group financial statements on pages 187 and 188. The Hikma Pharmaceuticals Employee Benefit Trust (EBT) holds no shares. The EBT has waived its right to vote on any shares it holds and also to its entitlement to a dividend. Other than the EBT and the Treasury Shares, no other shareholder has waived the right to a dividend.

Diversity disclosures pursuant to Listing Rule 9.8.6R

In April 2022, the UK Financial Conduct Authority (FCA) published its final rules to increase the disclosure of diversity on listed company boards and executive committees. This requires listed companies to disclose in a prescribed format information on the diversity of their board and executive committee. The Listing Rules (to which Hikma is subject) have been amended to require disclosure of the prescribed information and the new requirement applies to financial years beginning on or after 1 April 2022. The FCA has, however, asked listed companies to report earlier on a voluntary basis. The below information has therefore been disclosed on a voluntary basis.

The Listing Rules require listed companies to state whether they have met certain targets on board diversity. The information in the table below is at 31 December 2022, which is the date selected as the reference date within Hikma's accounting period. The targets set out in the Listing Rules are that:

1. at least 40% of the individuals on its board of directors are women;

2. at least one of the following senior positions on its board of directors is held by a woman (the chair, SID, CEO or CFO); and

3. at least one individual on its board of directors is from a minority ethnic background.

As at the reference date, the Board of Hikma meets targets 1 and 3 and has a disclosed succession plan in place to meet target 2 with effect from the close of our AGM in April 2023.

Gender diversity	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)[1]	Number in Executive Management	Percentage of Executive Management
Men	6	55%	2	7	78%
Women	5	45%	–	2	22%
Not specified/prefer not to say	–	–	–	–	–

Ethnic background diversity	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)[1]	Number in Executive Management	Percentage of Executive Management
White British or other White (including minority-white groups)	8	73%	1	3	33%
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	3	27%	1	6	67%
Not specified/prefer not to say	–	–	–	–	–

Between 31 December 2022 and 22 February 2023, being the date at which this report is approved, there have been no changes in the composition of the Board or Executive Management. Each member of the Board or Executive Management has confirmed their gender and ethnic background to the Company Secretary and the above data has been collated from those records.

1. The roles of CEO & Chair are currently held by one individual and the CFO is not appointed to the Board

Other statutory disclosures
continued

Annual General Meeting

The AGM of Hikma will be held at Sofitel St James, 6 Waterloo Place, London SW1Y 4AN on Friday, 28 April 2023, starting at 11.00 am and arrangements are in place for virtual attendance. The Notice convening the meeting is given in a separate document accompanying this document, and includes a commentary on the business of the AGM, explains how shareholders can take part either in person or virtually, and notes to help shareholders exercise their rights at the meeting.

Hikma provides for the vote on each resolution to be by poll rather than by show of hands. This provides for greater transparency and allows the votes of all shareholders to be counted, including those cast by proxy. The level of proxies lodged for each resolution is projected onto a screen as each resolution is put to the meeting. A 'vote withheld' explanation is included in the Notice.

The powers of the Directors are determined by the Articles, the UK Code and other relevant UK legislation. The Articles give the Directors the power to appoint and remove Directors. The power to issue and allot shares contained in the Articles is subject to shareholder approval at each AGM. The Articles, which are available on the website, may only be amended by special resolution of the shareholders.

Substantial shareholdings

As at the date of this document, Hikma had been notified pursuant to sections 89A to 89L of the Financial Services and Markets Act 2000 and Rule 5 of the Disclosure and Transparency Rules of the UKLA of the following interests in the voting rights attaching to the share capital of Hikma:

Name of shareholder	Number of Shares	Percentage held[1]
Darhold Limited[2]	60,000,000	27.24%
Wellington Management Group LLP	11,556,882	5.25%
BlackRock Group	12,337,844	5.60%

1. The percentages detailed relate to voting rights in the Company. Therefore, the Treasury Shares and shares held by the EBT have been excluded from the denominator for this calculation
2. Said Darwazah, Mazen Darwazah and Ali Al-Husry, each being a Director and shareholder of Hikma, are shareholders and Non-Executive Directors of Darhold Limited. See page 119 for details of their interests in Darhold Limited

Between 31 December 2022 and 22 February 2023, BlackRock Group notified the Company that their holding had decreased to 11,968,104 Shares representing 5.42% of the voting capital.

Pre-emptive issue of shares

During the year under review, and in the period since the date of Hikma's Initial Public Offering on 1 November 2005, Hikma did not issue any shares pursuant to an authority given by shareholders at an AGM to issue shares for cash on a non-pre-emptive basis, other than in respect of the placing undertaken on 17 January 2008.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). In preparing the Group financial statements, the Directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable UK-adopted international accounting standards and IFRSs issued by IASB have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards and IFRSs issued by IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, and financial position of the Company; and
- the Annual Report and financial statements includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

Electronic communications

Hikma's preference is to communicate through Hikma's website, rather than in paper form. Shareholders are encouraged to visit the website to access Hikma's Annual Reports and half-year and final results presentations. Shareholders who wish to receive paper communications can elect to do so through Hikma's registrars, Link Asset Services (www.hikmashares.com).

On behalf of the Board

Said Darwazah
Executive Chairman and Chief Executive Officer
22 February 2023

Mazen Darwazah
Executive Vice Chairman
22 February 2023

We deliver accurate, high-quality and timely information to all stakeholders with the utmost integrity and efficiency.

Financial statements

Image

Our qualified inspector at our Portugal facility loading vials onto one of our automated inspection machines.

Independent auditors' report to the members of Hikma Pharmaceuticals PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Hikma Pharmaceuticals PLC's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company balance sheets as at 31 December 2022; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated cash flow statement and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the group, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 7, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- Our audit included full scope audits of five components, an audit of specific financial statement line items of one additional component and audit procedures performed centrally over certain specific material balances at locations around the group. Full scope components account for 78% of consolidated revenue and 74% of core profit before tax.

Key audit matters

- Recoverability of the carrying values of the GxA and Generics cash generating units and certain in-development programmes (group)
- Valuation and accuracy of gross to net rebate and returns adjustments in the US (group)
- Valuation of acquired intangibles (identified as part of the purchase price allocation exercise) in respect of the Custopharm Inc acquisition (group)
- Carrying value of investments in subsidiaries (company)

Materiality

- Overall group materiality: US$25 million (2021: US$25 million) based on approximately 5% of core profit before tax.
- Overall company materiality: US$22.5 million (2021: US$21.6 million) based on 1% of total assets, capped at approximately 90% of overall group materiality.
- Performance materiality: US$18.75 million (2021: US$18.75 million) (group) and US$16.875 million (2021: US$16.2 million) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The valuation of acquired intangibles (identified as part of the purchase price allocation exercise) in respect of the Custopharm Inc. acquisition (group) and the carrying value of investments in subsidiaries (company) are new key audit matters this year. Reorganisation of holding companies under Hikma Pharmaceuticals PLC (company), which was a key audit matter last year, is no longer included because the corporate restructuring was finalised in 2021. Otherwise, the key audit matters below are consistent with last year.

Recoverability of the carrying values of the GxA and Generics cash generating units and certain in-development programmes (Group)

Key audit matter	How our audit addressed the key audit matter
At 31 December 2022, the Group had goodwill of $389 million (31 December 2021: $285 million) and intangible assets of $735 million (31 December 2021: $607 million), comprising product-related intangible assets, software and other identified intangible assets such as marketing rights, customer relationships and trademarks. These are contained within four cash generating units (CGUs): Generics, Generic Advair Diskus®, Branded and Injectables. Goodwill in relation to Generics and Generic Advair Diskus® has been fully impaired in prior years, the remaining balance relates to Branded and Injectables only. CGUs containing goodwill and in-development intangible assets (principally product rights and marketing rights relating to the Group's product pipeline) must be assessed annually for impairment (or earlier if there are indicators of impairment identified prior to that annual assessment). All other assets held are reviewed for impairment when an impairment indicator has been identified. In the current year, management has downgraded its expectations for the US generics business in the latest five year business plan ('5YBP') due to accelerating price erosion in the US generics market, slower than expected ramp up of recent launches, and delayed launches of key pipeline products. Also, the performance of generic Advair Diskus (GxA) has been below previous expectations since its launch in Q2 2021. Accordingly, as there are indicators of impairment for both the Generics and GxA CGUs management has performed detailed impairment assessments for these CGUs. Management's assessment concluded that the Generics CGU was not impaired and an impairment of $75 million was recorded in respect of the GxA CGU split across product related intangibles (IP) of $59 million and property plant and equipment of $16 million. Due to the rationalisation of the R&D pipeline in the Generics CGU and the decline in performance and forecasted profitability of certain other intangible assets, management performed a detailed impairment assessment of the related assets and recorded an additional impairment for intangible assets of $42 million and $61 million for property, plant and equipment. An impairment charge is recognised when the carrying value of the CGU or in-development intangible asset exceeds its recoverable amount. There is significant estimation uncertainty in calculating the recoverable amount of CGUs and in-development intangible assets, including management's view of future cash flow forecasts, external market conditions, such as future pricing and profitability, useful economic life, timing and probability of regulatory success, and the most appropriate discount rate, and accordingly represents an area of heightened risk. Refer to the Audit Committee review of areas of significant judgement on page 91, significant accounting policies (note 2), critical accounting judgements and key sources of estimation uncertainty (note 3) and goodwill and other intangible assets (note 16) in the Group financial statements.	With support from our internal valuations experts, we performed the following procedures in relation to the Generic and GxA CGUs: – Understood management's process for forecasting cash flows; – Evaluated the appropriateness of the methodology used in the relevant impairment models; – Tested the completeness and accuracy of the models as well as the underlying data used in the models, including reconciling the cash flows to the Board approved 5YBP and assessing the possible impact of climate change; – Evaluated the reasonableness of the significant assumptions used by management in determining future cash flows, including cash flow growth or decline, pricing and profitability, useful economic life, timing and probability of regulatory success for key products; – We challenged management's forecast launch dates, pricing and market assumptions by comparing them to historical data, available third party market data and available regulatory correspondence; – We compared management forecasts to analyst consensus cash flows and challenged management where there were significant differences; – Our internal valuations experts assessed the reasonableness of the valuation methodology, discount rates and long term growth rates; – Performed a retrospective comparison of forecasted revenues and costs to actual past performance; and – Performed various sensitivity analyses on significant assumptions to understand the resulting impact on the impairment charge or headroom available. We performed the following procedures in relation to the in-development programmes: – Obtained an understanding of the in-development programmes and management's decision to discontinue the programmes (including consideration of alternative use of the underlying assets); – Tested the completeness and accuracy of the carrying amount of the programmes; – Evaluate management's accounting treatment and the appropriateness of the impairment in line with IAS 36. Based on our procedures we consider management's key inputs and assumptions to be within a reasonable range and the overall impairment charge to be reasonable. We reviewed management's disclosures in the Annual Report in respect of the critical accounting judgements and key sources of estimation uncertainty in note 3 and sensitivity analyses performed in note 16 and consider these to be appropriate. We considered the presentation and classification of the impairment charges as exceptional and other adjustments in 2022 as acceptable in the context of the nature and magnitude of the charge itself, giving consideration to the Group's policy for exceptional items.

Valuation and accuracy of gross to net rebate and returns adjustments in the US (Group)

Key audit matter	How our audit addressed the key audit matter
Management is required to make estimates in respect of revenue recognition, specifically the level of returns and rebates that will be realised against the Group's revenue. The Group recorded revenue deductions for the year ended 31 December 2022 of $2,391 million (2021: $2,450 million) and determined reserves for customer rebates of $49 million, indirect rebates of $55 million and returns of $168 million. These estimates are complex, material to the financial statements and require significant estimation by management to establish an appropriate reserve. Refer to the Audit Committee review of areas of significant judgement, significant accounting policies (note 2), critical accounting judgements and key sources of estimation uncertainty (note 3), trade and other receivables (note 21) and other current liabilities (note 27) in the Group financial statements.	We have considered the Group's processes for making judgements in this area and performed the following procedures: – Assessed the revenue recognition policy and applicable controls in place around this process; – Tested controls over the validation and approval of payment claims; – Tested returns, rebates payments and credit memos throughout the year by agreeing selected transactions back to the underlying source documentation including customer claims and payment information; – Performed analytical procedures over channel inventory for major wholesalers for which data is obtained from a third party service provider; – Confirmed channel inventory with major wholesalers or performed alternative procedures where confirmations were not received; – Developed an independent expectation or tested management's process for the largest elements of the reserves at 31 December 2022 using assumptions and inputs based on contracted prices and rebate terms, historical rebates, discounts, validated channel inventory levels, and invoices received or payments made, as applicable, subsequent to year-end to validate reserves. We compared this expectation to the actual accrual recognised by the Group; and – Considered the historical accuracy of the Group's estimates in previous years and the effect of any adjustments to prior years' accruals in the current year's results. Based on the procedures performed, we did not identify any material differences from testing management's process or between our independent expectations and the reserves recorded. We also evaluated the disclosures in Note 2, Note 3, Note 21 and Note 27 which we considered appropriate.

Valuation of acquired intangibles (identified as part of the purchase price allocation exercise) in respect of the Custopharm Inc acquisition (Group)

Key audit matter	How our audit addressed the key audit matter
During the year, the Group acquired 100% of the issued share capital of Custopharm Topco Holdings, Inc. for cash consideration of $373 million. IFRS 3: Business Combinations requires assets and liabilities acquired in business combinations to be recognised at their fair value, with the difference between the consideration paid and the fair value of net assets recognised as goodwill. A provisional purchase price allocation exercise to value the net assets acquired has been performed by management assisted by an external expert. Product related intangible assets were valued at $251 million. The valuation of the acquired intangible assets was underpinned by key assumptions requiring high levels of estimation and judgement such as cash flow forecasts including the probability of success, the timing of launch and forecast sales and costs assumptions.	We performed the following audit procedures in relation to the valuation of the acquired intangibles: – Obtained and reviewed the sale and purchase agreement (SPA) to gain an understanding of the key terms of the acquisition; – Deployed our valuations experts and we engaged with management and with management's third party experts to assess the methodology employed for calculating the fair values of the product related intangible assets and the appropriateness of the key assumptions used, including auditing cash flow forecasts and discount rates; – Verified that the material fair value adjustments were consistent with the accounting standard requirements; and – Reviewed management's analysis of the acquired entity's accounting policies and the Group's accounting policies and noted no material differences. Based on the evidence obtained, we did not identify any indication that the fair value adjustments identified by management were inappropriate or that material fair value adjustments were omitted from management's assessment.

Carrying amount of investments in subsidiaries (company)

Key audit matter	How our audit addressed the key audit matter
The investment in subsidiaries of $3,296m (2021: $3,288m) are accounted for at cost less impairment in the Company balance sheet at 31 December 2022. Investments in subsidiaries are accounted for at cost less provision for impairment in the company balance sheet. Investments are tested for impairment if impairment indicators exist. If such indicators exist, the recoverable amounts of investments in subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognised in the income statement. The impairment assessment was identified as a key audit matter given the size of the underlying investment carrying values at 31 December 2022. Impairment indicators were identified in connection with certain investments in subsidiaries due to the carrying value of investments exceeding the net assets of the underlying subsidiaries. As a result, the recoverable amount of the investments are determined, being the higher of fair value less cost of disposal or the value in use, in order to determine the headroom, if any. The determination of the recoverable amount requires the application of management judgement and estimates, particularly in determining the key assumptions to be applied in preparing cash flow projections.	We performed the following audit procedures in relation to the carrying amount of investments in subsidiaries: – We evaluated management's assessment whether any indicators of impairment existed by comparing the carrying values of investments in subsidiaries with the net assets of the underlying subsidiaries at 31 December 2022; – For investments where the net assets were lower than the carrying values, we assessed their recoverable value by reference to the value in use of the investments compared to their carrying values at 31 December 2022. Where applicable, we verified that the recoverable values of investments were consistent with the recoverable values of the related CGUs tested for goodwill impairment purposes, leveraging the audit work undertaken as part of the Group audit. – We separately evaluated the difference between the carrying value of the company's investments in subsidiaries and the Group's market capitalisation. Based on the procedures performed, we noted no material issues arising from our work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Procedures, including oversight discussions undertaken by senior team members, were performed prior to year-end to refine the audit approach and evaluate component auditor procedures and controls. As at 31 December 2022, Hikma Pharmaceuticals PLC had 57 subsidiaries and one joint venture as part of the group. These entities may operate solely in one segment but more commonly operate across two. Each component submits a group reporting package to Hikma's central accounting team including its income statement and balance sheet prepared under group accounting policies which are in compliance with IFRSs. We instructed component teams in the US, Jordan, Saudi Arabia and Algeria to audit reporting packages of certain entities in these territories and report to us the results of their full scope audit work. We also requested our component team in Portugal to perform an audit over specific balances. In addition to instructing and reviewing the reporting from our component audit teams, we conducted file reviews and participated in key meetings with local management both remotely and in person. We had regular dialogue with component teams throughout the year and performed site visits to the US, Jordan and Portugal. In addition to the work performed by our component teams, central audit procedures were performed by the group engagement team including a full scope audit of Hikma Pharmaceuticals PLC and certain specific material balances not covered by component auditors. The group consolidation, financial statement disclosures and corporate functions were also audited by the group engagement team. This included our work over taxation, goodwill and acquired intangible assets and major transactions. Taken together, audit work over the full scope components and central procedures performed covered approximately 78% of the group's revenue and 74% of the group's core profit before tax. In addition to the audit of full scope components, we further perform disaggregated analytical review procedures over certain of the group's smaller and lower risk components that were not directly included in our group audit scope. This provided the evidence we needed for our opinion on the consolidated financial statements taken as a whole.

The impact of climate risk on our audit

As explained in the Sustainability Report, the Group is mindful of its impact on the environment and is focussed on ways to reduce climate related impacts. In planning and executing our audit we have considered the group's risk assessment process to identify and model the potential impact of climate change on the financial statements and further engaged with our own sustainability experts. Based on this, we understand that the key impact to the Group could be a potential increase in input costs for energy intensive supplies such as APIs and packaging materials due to carbon pricing. This would impact the financial statement line items and estimates associated with future cash flows since the impact of climate change is expected to become more notable in the medium to long term. The key areas impacted include valuation of goodwill and intangible assets and recoverability of the Group's deferred tax assets. We note that management's assessment is that the impact on Hikma is currently immaterial, nevertheless, while auditing the estimates associated with the forecasts, we have challenged management on reflecting the impact of climate change and any climate change related commitments in the cash flows particularly in the context of the Group's target to reduce scope 1 and 2 emissions by 25% by 2030. We have not identified any matters as part of this work which contradict the disclosures in the Annual Report or lead to any material adjustments to the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Independent auditors' report to the members of Hikma Pharmaceuticals PLC
continued

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	US$25 million (2021: US$25 million).	US$22.5 million (2021: US$21.6 million).
How we determined it	Based on approximately 5% of core profit before tax	1% of total assets, capped at approximately 90% of overall Group materiality
Rationale for benchmark applied	The Group's principal measure of earnings is core results. Management believes that it reflects the underlying performance of the Group and is a meaningful measure of the Group's performance to stakeholders. In the prior year, we took the equivalent reported measure into account in determining our materiality but did not add back certain non-core items unless we deemed them to be non-recurring in nature. We refined our benchmark in the current year to be consistent with how management assesses performance of the business.	Total assets is used as the benchmark as the Company's principal activity is to hold the Group's investments and perform treasury functions on behalf of the Group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between $9.5 million and $22.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to US$18.75 million (2021: US$18.75 million) for the group financial statements and US$16.875 million (2021: US$16.2 million) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1.2 million (group audit) (2021: $1.2 million) and $1.2 million (company audit) (2021: $1.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- agreeing the underlying cash flow projections to board approved forecasts, assessing how these forecasts are compiled, and assessing the accuracy of management's forecasts;
- evaluating the key assumptions within management's forecasts;
- considering liquidity and available financial resources;
- considering compliance with covenants in the current year and ability to comply with these at each future covenant reporting date in the going concern period;
- assessing whether the plausible downside scenario prepared by management appropriately considered the principal risks facing the business; and
- evaluating the feasibility of management's mitigating actions in the plausible downside scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration
In our opinion, the part of the Annual Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to patent protection, product safety (including but not limited to the United States Food and Drug Administration regulations), competition and antitrust laws, pricing practices and legislation, tax legislation and anti-bribery and corruption legislation (including but not limited to the Foreign Corrupt Practices Act), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and Listing Rules of the Financial Conduct Authority (FCA). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- discussions with management and the group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- assessment of matters reported on the group's whistleblowing hotline and results of management's investigation of such matters;
- challenging assumptions made by management in its significant accounting estimates particularly in relation to estimation of rebate and and returns reserves, valuation of intangible assets, and recognition and valuation of acquired intangible assets in respect of the Custopharm Inc. acquisition (see related key audit matters below); and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, unexpected or unauthorised users, journals posted and reviewed by the same individual and consolidation journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Annual Report on Remuneration to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Audit Committee, we were appointed by the members on 11 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ended 31 December 2016 to 31 December 2022.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Nigel Comello
(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
22 February 2023

Consolidated income statement

For the year ended 31 December 2022

	Note	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Revenue	4	**2,517**	**–**	**2,517**	2,553	–	2,553
Cost of sales		**(1,252)**	**(27)**	**(1,279)**	(1,252)	–	(1,252)
Gross profit/(loss)		**1,265**	**(27)**	**1,238**	1,301	–	1,301
Selling, general and administrative expenses		**(509)**	**(106)**	**(615)**	(488)	(73)	(561)
Net impairment loss on financial assets		**(5)**	**–**	**(5)**	–	–	–
Research and development expenses		**(144)**	**–**	**(144)**	(143)	–	(143)
Other operating expenses	9	**(25)**	**(181)**	**(206)**	(40)	(37)	(77)
Other operating income	9	**14**	**–**	**14**	2	60	62
Total operating expenses		**(669)**	**(287)**	**(956)**	(669)	(50)	(719)
Operating profit/(loss)	5	**596**	**(314)**	**282**	632	(50)	582
Finance income	10	**3**	**26**	**29**	1	29	30
Finance expense	11	**(77)**	**(4)**	**(81)**	(56)	(13)	(69)
Loss from investment at fair value through profit and loss (FVTPL)		**(2)**	**–**	**(2)**	–	–	–
Results from joint venture		**–**	**–**	**–**	1	–	1
Gain from investment divestiture[1]		**–**	**5**	**5**	–	–	–
Profit/(loss) before tax		**520**	**(287)**	**233**	578	(34)	544
Tax	12	**(111)**	**69**	**(42)**	(129)	5	(124)
Profit/(loss) for the year		**409**	**(218)**	**191**	449	(29)	420
Attributable to:							
Non-controlling interests	32	**3**	**–**	**3**	(1)	–	(1)
Equity holders of the parent		**406**	**(218)**	**188**	450	(29)	421
Earnings per share (cents)							
Basic	15	**181.3**		**83.9**	194.8		182.3
Diluted	15	**180.4**		**83.6**	193.1		180.7

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

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Profit for the year		**409**	**(218)**	**191**	449	(29)	420
Other comprehensive income							
Items that may subsequently be reclassified to the consolidated income statement:							
Currency translation and hyperinflation movement		**(87)**	**–**	**(87)**	(22)	–	(22)
Reclassification of translation gains on disposal of subsidiary[1]		**–**	**(8)**	**(8)**	–	–	–
Items that will not subsequently be reclassified to the consolidated income statement, net of tax[2]:							
Remeasurement of post-employment benefit obligations	26	**–**	**–**	**–**	(1)	–	(1)
Change in investments at fair value through other comprehensive income (FVTOCI)	19	**(8)**	**–**	**(8)**	14	–	14
Total other comprehensive income for the year		**(95)**	**(8)**	**(103)**	(9)	–	(9)
Total comprehensive income for the year		**314**	**(226)**	**88**	440	(29)	411
Attributable to:							
Non-controlling interests		**–**	**–**	**–**	2	–	2
Equity holders of the parent		**314**	**(226)**	**88**	438	(29)	409
		314	**(226)**	**88**	440	(29)	411

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

Consolidated balance sheet

At 31 December 2022

	Note	2022 $m	2021 $m
Non-current assets			
Goodwill	16	**389**	285
Other intangible assets	16	**735**	607
Property, plant and equipment	17	**1,024**	1,072
Right-of-use assets	33	**57**	74
Investment in joint ventures	18	**10**	10
Deferred tax assets	13	**192**	183
Financial and other non-current assets	19	**65**	47
		2,472	2,278
Current assets			
Inventories	20	**776**	695
Income tax receivable		**32**	60
Trade and other receivables	21	**809**	816
Cash and cash equivalents	22	**270**	426
Other current assets	23	**110**	97
Assets classified as held for distribution		**2**	–
		1,999	2,094
Total assets		**4,471**	4,372
Current liabilities			
Short-term financial debts	24	**139**	112
Lease liabilities	33	**9**	9
Trade and other payables	25	**476**	468
Income tax payable		**73**	57
Other provisions	26	**32**	31
Other current liabilities	27	**348**	339
		1,077	1,016
Net current assets		**922**	1,078
Non-current liabilities			
Long-term financial debts	28	**1,074**	651
Lease liabilities	33	**61**	74
Deferred tax liabilities	13	**19**	24
Other non-current liabilities	30	**92**	140
		1,246	889
Total liabilities		**2,323**	1,905
Net assets		**2,148**	2,467
Equity			
Share capital	31	**40**	42
Share premium		**282**	282
Other reserves		**(265)**	(60)
Translation reserve related to assets held for distribution		**(14)**	–
Retained earnings		**2,092**	2,189
Equity attributable to equity holders of the parent		**2,135**	2,453
Non-controlling interests	32	**13**	14
Total equity		**2,148**	2,467

The consolidated financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, on pages 140 to 192 were approved by the Board of Directors on 22 February 2023 and signed on its behalf by:

Said Darwazah
Executive Chairman and CEO
22 February 2023

Mazen Darwazah
Executive Vice Chairman

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Note	Merger and revaluation reserves[1] $m	Translation reserve $m	Capital redemption reserve $m	Total other reserves $m	Translation reserve related to assets held for distribution[2] $m	Retained earnings $m	Share capital $m	Share premium $m	Equity attributable to equity shareholders of the parent $m	Non-controlling interests $m	Total equity $m
Balance at 1 January 2021		119	(199)	–	**(80)**	–	1,892	41	282	**2,135**	13	**2,148**
Profit for the year		48	–	–	**48**	–	373	–	–	**421**	(1)	**420**
Change in fair value of investments at FVTOCI	19	–	–	–	**–**	–	14	–	–	**14**	–	**14**
Realisation of revaluation reserve		(3)	–		**(3)**	–	3	–	–	**–**	–	**–**
Remeasurement of post-employment benefit obligations	26	–	–	–	**–**	–	(2)	–	–	**(2)**	–	**(2)**
Tax arising on remeasurement of post-employment benefit obligations		–	–	–	**–**	–	1	–	–	**1**	–	**1**
Currency translation and hyperinflation movement		–	(25)	–	**(25)**	–	–	–	–	**(25)**	3	**(22)**
Total comprehensive income for the year		45	(25)	–	**20**	–	389	–	–	**409**	2	**411**
Total transactions with owners, recognised directly in equity												
Cost of equity-settled employee share scheme	38	–	–	–	**–**	–	29	–	–	**29**	–	**29**
Exercise of employees share scheme		–	–	–	**–**	–	(1)	1	–	**–**	–	**–**
Dividends paid	14	–	–	–	**–**	–	(120)	–	–	**(120)**	(1)	**(121)**
Balance at 31 December 2021 and 1 January 2022		164	(224)	–	**(60)**	–	2,189	42	282	**2,453**	14	**2,467**
Profit for the year		–	–	–	**–**	–	188	–	–	**188**	3	**191**
Change in fair value of investments at FVTOCI	19	–	–	–	**–**	–	(8)	–	–	**(8)**	–	**(8)**
Currency translation and hyperinflation movement		–	(84)	–	**(84)**	–	–	–	–	**(84)**	(3)	**(87)**
Reclassification of translation gains on disposal of subsidiary[1]		–	(8)	–	**(8)**	–	–	–	–	**(8)**	–	**(8)**
Total comprehensive income for the year		–	(92)	–	**(92)**	–	180	–	–	**88**	–	**88**
Total transactions with owners, recognised directly in equity												
Transfer of merger reserve[2]	31	(129)	–	–	**(129)**	–	129	–	–	**–**	–	**–**
Issue of Ordinary Bonus Share	31	–	–	–	**–**	–	(1,746)	1,746	–	**–**	–	**–**
Cancellation of Ordinary Bonus Share	31	–	–	–	**–**	–	1,746	(1,746)	–	**–**	–	**–**
Cost of equity-settled employee share scheme	38	–	–	–	**–**	–	22	–	–	**22**	–	**22**
Dividends paid	14	–	–	–	**–**	–	(125)	–	–	**(125)**	(3)	**(128)**
Ordinary Shares purchased and cancelled	31	–	–	2	**2**	–	(300)	(2)	–	**(300)**	–	**(300)**
Share buyback transaction costs		–	–	–	**–**	–	(3)	–	–	**(3)**	–	**(3)**
Other comprehensive income accumulated in equity related to assets held for distribution[3]		–	14	–	**14**	(14)	–	–	–	**–**	–	**–**
Acquisition of subsidiaries		–	–	–	**–**	–	–	–	–	**–**	2	**2**
Balance at 31 December 2022		**35**	**(302)**	**2**	**(265)**	**(14)**	**2,092**	**40**	**282**	**2,135**	**13**	**2,148**

1. $8 million translation reserve gains attributable to equity holders of the parent was recognised in the consolidated income statement in relation to Hikma Liban S.A.R.L. disposal
2. $129 million of the merger reserve balance which relates to Columbus business acquisition was transferred to retained earnings as a result of the capitalisation of the Company's merger reserve (Note 31)
3. Translation reserve related to assets held for distribution represent cumulative translation loss recognised in other comprehensive income attributable to equity holders of the parent in relation to Pharma Ixir Co. Ltd which is currently under liquidation

Consolidated cash flow statement

For the year ended 31 December 2022

	Note	2022 $m	2021 $m
Cash flows from operating activities			
Cash generated from operations	34	**585**	767
Income taxes paid		**(103)**	(131)
Income taxes received		**48**	2
Net cash inflow from operating activities		**530**	638
Cash flow from investing activities			
Purchases of property, plant and equipment		**(138)**	(145)
Proceeds from disposal of property, plant and equipment		**1**	–
Purchase of intangible assets		**(87)**	(84)
Proceeds from disposal of intangible assets		**9**	–
Proceeds from sale of investment at FVTOCI		**–**	5
Additions of investments at FVTOCI		**(15)**	(3)
Acquisition of subsidiary undertakings net of cash acquired	36	**(373)**	–
Proceeds from investment divestiture		**–**	1
Cash loss on disposal of subsidiary		**(1)**	–
Payments of contingent consideration liability		**(6)**	(6)
Milestone payments of acquired contingent liability		**–**	(11)
Interest income received		**3**	2
Acquisition related amounts held in escrow account		**–**	3
Net cash outflow from investing activities		**(607)**	(238)
Cash flow from financing activities			
Proceeds from issue of long-term financial debts		**1,401**	10
Repayment of long-term financial debts		**(962)**	(45)
Proceeds from short-term borrowings		**380**	383
Repayment of short-term borrowings		**(363)**	(431)
Repayment of lease liabilities		**(9)**	(31)
Dividends paid	14	**(125)**	(120)
Dividends paid to non-controlling shareholders of subsidiaries		**(3)**	(1)
Interest and bank charges paid		**(68)**	(50)
Revolving credit facility upfront fees paid		**(5)**	–
Share buyback	31	**(300)**	–
Share buyback transaction costs		**(3)**	–
Payment to co-development and earnout payment agreement		**(1)**	(2)
Net cash outflow from financing activities		**(58)**	(287)
Net (decrease)/increase in cash and cash equivalents		**(135)**	113
Cash and cash equivalents at beginning of year		**426**	323
Foreign exchange translation movements		**(21)**	(10)
Cash and cash equivalents at end of year	22	**270**	426

Notes to the consolidated financial statements

1. Adoption of new and revised standards

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

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

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

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

2. Significant accounting policies

General information

Hikma Pharmaceuticals PLC is a public limited liability company incorporated and domiciled in United Kingdom under the Companies Act 2006. The address of the registered office is given on page 201.

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

Basis of preparation

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

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

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

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

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

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

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

Going concern

The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. Taking into account the Group's current position and its principal risks for a period longer than 12 months from the date of signing the consolidated financial statement, a going concern analysis has been prepared using realistic scenarios applying a severe but plausible downside which shows sufficient liquidity headroom. Therefore, the Directors believe that the Group and its subsidiaries are adequately placed to manage its business and financing risks successfully, despite the current uncertain economic outlook. Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements. (See page 67).

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

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

Basis of consolidation

The consolidated financial statements incorporate the results of Hikma Pharmaceuticals PLC (the Company) and entities controlled by the Company (together the Group). Control is achieved when the Group has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power.

The consolidated financial statements include:

– the assets and liabilities, results and cash flows of the Company and its subsidiaries (entities that are controlled by the Group)
– the Group's share of the results and net assets of joint ventures

All subsidiaries and the Company financial statements consolidated are made up to 31 December each year.

Interests acquired in entities are consolidated from the date the Group acquires control and interests sold are de-consolidated from the date control ceases.

Goodwill is capitalised as a separate item in the case of subsidiaries and as part of the cost of investment in the case of joint ventures and associates.

Transactions and balances between subsidiaries are eliminated and no profit before tax is taken on sales between subsidiaries until the products are sold to customers outside the Group.

Transactions with non-controlling interests are recorded directly in equity.

Deferred tax relief on unrealised intra-Group profit is accounted for only to the extent that it is considered recoverable.

2. Significant accounting policies continued

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. All identifiable assets, liabilities and contingent liabilities acquired are measured at fair value on the acquisition date. All acquisition related costs are recognised in the consolidated income statement as incurred.

The consideration is measured at the aggregate fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, at the acquisition date. Where applicable, this consideration may include the fair value of assets or liabilities resulting from a contingent consideration arrangement.

Contingent consideration classified as an asset or liability is a financial instrument and, within the scope of IFRS 9 'Financial Instruments', is measured at fair value, with changes in fair value recognised in the consolidated income statement in line with IFRS 9.

Subsequent changes to those fair values can only affect the measurement of goodwill, where they occur during the 'measurement period' and are as a result of additional information becoming available about facts and circumstances that existed at the acquisition date. All other changes are dealt with in accordance with relevant IFRSs. This will usually mean that changes in the fair value of consideration are recognised in the consolidated income statement.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the aggregate of consideration, non-controlling interest and any fair value of previously held equity interest over the fair values of the identifiable net assets acquired. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and acquired contingent liabilities exceeds the cost of the consideration, the gain is recognised immediately in the consolidated income statement.

The non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and acquired contingent liabilities recognised.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

Investments in joint ventures

Joint ventures are entities that the Group has the ability to exercise joint control over their economic activities and net assets.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, where the investments are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and acquired contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any impairment charges are recognised immediately in the consolidated income statement.

The aggregate of the Group's share of profit or losses after tax of joint ventures is shown on the face of the consolidated income statement below operating profit.

Foreign currencies

Foreign currency transactions, being transactions denominated in a currency other than an individual Group entity's functional currency, are translated into the relevant functional currencies of individual Group entities at the rates of the transactions dates. Monetary assets and liabilities arising from foreign currency transactions are retranslated at exchange rates prevailing at the reporting date. Exchange gains and losses on loans and on short-term foreign currency borrowings are included within finance income and expense. Exchange differences on all other foreign currency transactions are recognised in operating profit in the individual Group entity's accounting records. Non-monetary items arising from foreign currency transactions are not retranslated in the individual Group entity's accounting records.

In the Consolidated Financial Statements, income and expense items for Group entities with a functional currency other than US dollars are translated into US dollars at average exchange rates, which approximate to actual rates, for the relevant accounting periods. Assets and liabilities are translated at the US dollar exchange rates prevailing at the reporting date.

Exchange differences arising on consolidation are recognised in the consolidated statement of other comprehensive income. On the disposal of foreign operation entities, the accumulated foreign exchange gains/losses are reclassified from OCI to the consolidated income statement.

Hyperinflationary economies

In hyperinflationary economies, when translating the results of operations into US dollars, assets, liabilities, income statement and equity accounts are translated at the rate prevailing on the balance sheet date. In territories where there are restrictions on the free access to foreign currency or multiple exchange rates, the applicable rates of exchange are regularly reviewed. Lebanon and Sudan were considered to be hyperinflationary economies in the year ended 31 December 2022. At 31 December 2022, the prevailing rate for Sudanese pound was 583.34 per US dollar (2021: 436.28). For Lebanon, the Group disposed of the subsidiary Hikma Liban S.A.R.L. on 8 November 2022 using the prevailing rate at that date which was 30,300 Lebanese pound per US dollar (2021: 1,507.5).

Any gain or loss on net monetary assets and liabilities is recognised in the consolidated income statement. The effect of hyperinflation on non-monetary assets and liabilities is recognised in other comprehensive income within equity.

2. Significant accounting policies continued

Revenue recognition

Under IFRS 15 revenue is recognised in the consolidated income statement when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The point at which control passes is determined by each customer arrangement, but generally occurs on delivery to the customer.

The Group manufactures certain medicines on behalf of some customers. The revenue from providing contract manufacturing services is recognised when these medicines are approved by the quality control department, there is no alternative use of these medicines and the Group has enforceable right to payments once these medicines are quality approved.

The Group has generally concluded that it acts as principal in its revenue arrangements because it typically controls the goods before the transfer to the customer.

Revenue represents the amounts receivable after the deduction of discounts, value added tax, other sales taxes, allowances given, provisions for chargebacks and accruals for estimated future rebates, returns and price adjustments. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted regularly in light of contractual and historical information.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Variable consideration

The ultimate net selling price is calculated using variable consideration estimates for certain gross to net adjustments.

Chargebacks

In the US, the Group sells its products directly to wholesale distributors, generic distributors, retail pharmacy chains and mail-order pharmacies. The Group also sells its products indirectly to independent pharmacies, managed care organisations, hospitals, and group purchasing organisations, collectively referred to as 'indirect customers'. The Group enters into agreements with its indirect customers to establish pricing for certain products. The indirect customers then independently select a wholesaler from which they purchase the products at agreed-upon prices. The Group will provide credit to the wholesaler for the difference between the agreed-upon price with the indirect customer and the wholesaler's invoice price. This credit is called a chargeback. The provision for chargebacks is based on historical sell-through levels by the Group's wholesale customers to the indirect customers, and estimated wholesaler inventory levels. As sales are made to large wholesale customers, the Group continually monitors the reserve for chargebacks and makes adjustments when it believes that actual chargebacks may differ from estimated reserves.

Returns

The Group has a product return policy that allows customers to return the product within a specified period prior to and subsequent to the expiration date. Provisions for returns are recognised as a reduction of revenue in the period in which the underlying sales are recognised.

The Group estimates its provision for returns based on historical experience, representing management's best estimate. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future returns. The Group continually monitors the provisions for returns and makes adjustments when it believes that actual product returns may differ from established reserves (see Note 27 for return sensitivity analysis).

Rebates

In the US, rebates are granted to wholesaler distributors and direct customers. Rebates are also granted to healthcare authorities and under contractual arrangements with certain indirect customers. Products sold in the US are covered by various programmes (such as Medicaid) under which products are sold at a discount.

The Group estimates its provision for rebates based on current contractual terms and conditions as well as historical experience, changes to business practices and credit terms. While such experience has enabled reasonable estimations in the past, history may not always be an accurate indicator of future rebate liabilities. The Group continually monitors the provisions for rebates and makes adjustments when it believes that actual rebates may differ from established reserves. All rebates are recognised in the period in which the underlying sales are recognised as a reduction of revenue (see Notes 21 and 27 for rebates sensitivity analysis).

Performance obligation

Free goods

Free goods are issued to certain customers as an alternative to discounts. Under IFRS 15 these free goods give rise to a separate performance obligation, which requires management to allocate the transaction price to the original goods and the related free goods. Revenue for free goods is recognised when they are transferred to the customer and a contract liability is recognised when the free goods are due but not yet transferred to the customer.

Share-based payments

At the Company's discretion and subject to the achievement of Group and personal performance criteria in the prior year, employees (including Executive Directors) of the Group receive performance based remuneration in the form of share-based payments, whereby employees render their services in exchange for shares or rights over shares (equity-settled transactions) under either the 2014 Executive Incentive Plans (EIP) or the 2009 and 2018 Management Incentive Plan (MIP). Refer to Note 38 for more details.

IFRS 2 'Share-Based Payments' requires an expense to be recognised when the Group buys goods or services in exchange for shares or rights over shares (share-based payments) or in exchange for other equivalent assets.

The cost of share-based payments' transactions with employees is measured by reference to the fair value at the date at which the share-based payments are granted. The fair value of the EIP and MIP are determined based on Black-Scholes methodology for nil-cost options using the share price as at the date of grant discounted by dividend yield. No account is taken of any performance conditions.

2. Significant accounting policies continued

The cost of share-based payments is recognised, together with a corresponding increase in equity, on a straight-line basis over the year of performance and the vesting period after the grant date based on the Group's estimate of cost of equity instruments that will eventually vest. The Group revises its estimate of the number of equity instruments expected to vest and the impact of the revision of the original estimates, if any, is recognised in the consolidated income statement, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The dilutive effect of outstanding share-based payments is reflected as additional share dilution in the computation of diluted earnings per share.

Retirement benefit costs

- Payments made to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme. (Note 41)
- In certain countries and entities, the Group has post-employment defined benefit plans. Accordingly, valuations of the obligations under those plans are carried out and any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement gains or losses in other comprehensive income. Changes in the present value of the defined benefit obligations resulting from plan amendments or curtailments are recognised immediately in the consolidated income statement as past service costs
- End of service payments are provided for based on employees' final salaries and allowances and their cumulative years of service. (Note 26)

Dividend income

Income from investments is recognised when the shareholders' rights to receive payment have been established.

Leases

In accordance with IFRS 16, the Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets:

- Right-of-use assets: The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain of obtaining ownership of a leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term
- Lease liabilities: at the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option, payments for optional extension periods and payments of penalties for terminating a lease when these options are reasonably certain to be exercised by the Group. The discount rate used to calculate the lease liabilities is the incremental borrowing rate (IBR). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit profile)
- Short-term leases and leases of low-value assets: the Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term

Taxes

The Group provides for income tax according to the laws and regulations prevailing in the countries where the Group operates. Furthermore, the Group computes and records deferred tax assets and liabilities according to IAS 12 'Income Taxes'.

The tax expense represents the sum of the current tax in the current period and deferred tax.

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities within one year.

The current tax incurred in the period is based on taxable profit for the year and prior year movement accounted for in the current year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's tax incurred is calculated using tax rates that have been enacted or substantively enacted by the consolidated balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the consolidated balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences will reverse. To the extent the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, no deferred tax is provided.

2. Significant accounting policies continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Uncertain tax position
In line with IFRIC 23, if it is considered probable that a tax authority will accept an uncertain tax treatment, the tax charge should be calculated on that basis. If it is not considered probable, the effect of the uncertainty should be estimated and reflected in the tax charge. In assessing the uncertainty, it is assumed that the tax authority will have full knowledge of all information related to the matter.

Exceptional items and other adjustments

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

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

Core results

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

Exceptional items and other adjustments
Core results mainly exclude:

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

Our core results exclude the exceptional items and other adjustments set out in Note 6 in the Notes to the consolidated financial statements.

Intangible assets

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

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

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

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

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

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

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

2. Significant accounting policies continued

Principal intangible assets are:

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

(b) **Product related intangibles:**

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

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

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

Other identified intangibles are:

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

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

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

Details of the intangible assets useful lives are included in Note 16.

Property, plant and equipment

Property, plant and equipment have been stated at cost on acquisition and are depreciated on a straight-line basis except for land.

The normal expected useful lives of the major categories of Property, plant and equipment are:

Buildings	20 to 50 years
Machinery and equipment	3 to 20 years
Vehicles, fixtures and equipment	3 to 13 years

A unit of production method of depreciation is applied to operations in their start-up phase, as this reflects the expected pattern of consumption of the future economic benefits embodied in the assets. When these assets are fully utilised, a straight-line method of depreciation is applied.

Projects under construction are not depreciated until construction has been completed and assets are considered ready for use.

Any additional costs that extend the useful life of property, plant and equipment are capitalised.

Whenever the recoverable amount of an asset is impaired, the carrying value is reduced to the recoverable amount and the impairment loss is taken to the consolidated income statement. Projects under construction are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property, plant and equipment assets, commences when the assets are ready for their intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Impairment of property, plant and equipment and intangible assets

At the same time each year, the Group carries out an impairment review for goodwill and intangible assets that are not yet ready for use. At the year-end, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets that are subject to depreciation and amortisation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less costs of disposal (FVLCD) and value in use (VIU). The FVLCD valuation uses inputs that are not based on observable market data, and therefore falls under level 3 fair valuation. This valuation calculation is measured by discounting post-tax projected cash flows of the relevant asset or cash generating unit (CGU), applying a post-tax discount rate adjusted where appropriate for specific asset related or market risk.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

When an impairment loss for the asset, other than goodwill, subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. However, the increased carrying amount should not exceed the carrying amount that would have been determined had there been no impairment in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statement.

The Group's goodwill and intangible assets are tested as follows:

(a) Goodwill is allocated to each of the Group's cash-generating units. These cash-generating units are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2. Significant accounting policies continued

The assumptions used and sensitivity analysis in the impairment tests are set out in Note 16

(b) Intangible assets that are not yet ready for use are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

Inventories

Inventories are stated at the lower of cost and net realisable value. Purchased products are stated at acquisition cost including all additional attributable costs incurred in bringing each product to its present location and condition. The costs of own-manufactured products comprise direct materials and, where applicable, direct labour costs and any overheads that have been incurred in bringing the inventories to their present location and condition. In the consolidated balance sheet, inventory is primarily valued at historical cost determined on a moving average basis, and this value is used to determine the cost of sales in the consolidated income statement. Net realisable value represents the estimated selling price in the ordinary course of business, less all estimated costs necessary to make the sale. Inventory related provisions are made when net realisable value is lower than cost, and for slow moving and short dated inventory.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These would typically have maturities within three months or less from date of acquisition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash equivalents include time deposits and money market deposits.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets in the following measurement categories:

(i) Financial assets at FVTPL

Listed shares, debt instruments and investment portfolios held by the Group that are traded in an active market are classified as being financial assets at FVTPL and are stated at fair value. Gains and losses arising from changes in fair value are recognised in the consolidated Income Statement, see Note 23

(ii) Financial assets at FVTOCI

The Group's investments held by its venture capital subsidiaries are stated at FVTOCI with no recycling of cumulative gains or losses upon de-recognition. Investments in unlisted shares are measured at cost minus any impairment and adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer under level 3 valuation. For investments in listed shares, fair value is readily determinable under level 1 valuation, see Notes 19 and 29

(iii) Financial assets at amortised cost

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'financial assets at amortised cost'. These financial assets are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit loss. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Financial liabilities are classified in two categories: financial liabilities at FVTPL or financial debts representing loans and borrowings. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

(i) Financial liabilities at FVTPL

The Group currently has two financial liabilities at FVTPL as below:

- co-development and earn out payment agreements with third parties where the Group received payments on certain research and development milestones. In return for receiving such milestone payments, the Group has agreed to pay the contracting parties a certain percentage of future sales of those products
- contingent consideration arising from the Columbus business acquisition represent contractual liabilities to make payments to third parties in the form of milestone payments that are dependent on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products

2. Significant accounting policies continued

Financial liabilities at FVTPL are revalued at the end of each reporting period to represent the value of expected future cash outflows and the difference is presented as finance cost/income. These financial liabilities are currently booked under other non-current liabilities and other current liabilities in the consolidated balance sheet. (Notes 27 and 30)

(ii) Financial debts
Financial debts are initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest method.

The effective interest method is used for calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The calculation of effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

Treasury shares
Treasury shares and any direct expenses associated with them are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. (Note 31)

Cash dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Company. In accordance with the laws of the United Kingdom, a final dividend is recognised when it is approved by the majority of shareholders and an interim dividend is recognised when it is paid.

Equity instruments
Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Directors are required to make judgements and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group's Directors believe that the following accounting policies that involve Directors' judgements and estimates are the most critical and may have a significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue recognition estimate (Notes 4 and 5)
The Group's revenue recognition policies require Directors to make estimates of the net selling price, which is made complicated due to chargebacks, product returns and rebates, which together are considered to be a critical estimates that may have a significant risk of resulting in a material adjustment.

These arrangements vary by product arrangement and buying group. Refer to Notes 21 and 27 for sensitivity analysis.

Chargebacks
Critical estimates
The key inputs and assumptions included in calculating this provision are estimations of 'in channel' inventory at the wholesalers (including processing lag), estimated chargeback rates as informed by average historical chargeback credits adjusted for expected chargeback levels for new products, changes to pricing and estimated future sales trends (including customer mix). Refer to Note 21 for sensitivity analysis.

Returns
Critical estimates
The key assumptions included in calculating this provision are estimations of the product shelf life, returns rate for revenue subject to returns, as informed by both historical return rates and consideration of specific factors like product dating and expiration, new product launches, entrance of new competitors and changes to contractual terms. Refer to Note 21 for sensitivity analysis.

Rebates
Critical estimates
The key inputs and assumptions included in estimating this provision are the historical relationship between contractual rebate payments to revenue, past payment experience, changes to pricing and sales levels, estimation of 'in channel' inventory at the wholesalers and retail pharmacies and estimated future sales trends (including customer mix). Refer to Notes 21 and 27 for sensitivity analysis.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Goodwill and intangible assets – impairment testing

CGUs (Note 16)

Testing for impairment of goodwill and other assets included within a cash generating unit (CGU) to establish the appropriate valuation of the CGU. The valuation used for comparison to the carrying value of the net assets of the CGU requires the following key judgements and estimates:

Critical judgement

Determination of the CGU:

- The Group evaluated generic Advair Diskus® as a separate CGU, mainly due to its distinct assets and liabilities and its ability to generate largely independent cash flows
- The Group allocated Custopharm Topco Holdings, Inc. associated goodwill to the Injectables CGU reflecting the integration of the business, as Custopharm Topco Holdings, Inc. will not be able to generate cash inflows that are independent from the injectables CGU. The valuation of the Custopharm net assets acquired and the goodwill are provisional (Note 36).

Critical estimates

- Estimating a five-year business plan for the purposes of forecasting cash flows involves forecasting appropriate sales and operating expenses taking into consideration both internal and external information
- Estimating future capital expenditures and working capital requirements over the five-year period
- Estimating a discount rate that appropriately reflects the Group's weighted average cost of capital as adjusted for specific risk premiums reflecting risks inherent in achieving the projected future cash flows
- Estimating an appropriate terminal growth rate beyond the forecast period

Product related and marketing rights intangible assets (Note 16)

Valuing intangible assets upon initial recognition as at the acquisition date and testing for impairment require the following judgements and estimates:

Critical judgement

- For pipeline products, establishing the launch date and probability of a successful product approval are critical judgements
- Determining whether an impairment indication has occurred for intangible assets. In such case the Group first assesses the qualitative factors to determine whether it is more likely than not that the fair value of the intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform a quantitative impairment test
- For previously impaired assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased, if such indication exists, the Group estimates the asset's or CGU's recoverable amount

Critical estimates

- Estimating revenue forecasts (including market size, estimated expected market share, number of competitors and net selling prices)
- Estimating the expected economic useful lives of the product-related intangibles
- Estimating the sales and the allocation of marketing, research and development and other operating costs to the individual product-related intangibles
- Estimating a discount rate and specific risk premiums

Based on the annual impairment trigger assessment and impairment test for product related and marketing rights intangible assets, the Group have not identified any material impairment on an individual asset basis, that may have significant risk resulting in a material adjustment to their carrying amounts within the next financial year. Therefore, no sensitivity analysis was performed.

Contingent consideration (Notes 27, 29 and 30)

The determination of the fair value of contingent consideration is based on discounted cash flows. The critical estimates and judgements taken into consideration for contingent consideration fair valuation are the same as applied for forecasting revenue of launched and pipeline products described in 'Product related intangibles' above. (See Note 29 for sensitivity analysis)

Taxation (Notes 12 and 13)

Recognition of deferred tax assets (Note 13)

The recognition of deferred tax assets is based on the current forecast of taxable profits arising in the jurisdiction in which the deferred tax asset arises. A deferred tax asset is recognised to the extent that there are forecast taxable profits within a reasonable period.

This exercise is reviewed each year and, to the extent forecasts change, an adjustment to the recognised deferred tax asset may be made.

Recognition of deferred tax assets is driven by the Group's ability to utilise the deferred tax asset which is reliant on forecast taxable profits arising in the jurisdiction in which losses are incurred.

Tax and transfer pricing audit risk

In common with most international organisations, the Group is subject to tax and transfer pricing audits from tax authorities from time to time. Where an outflow of funds is believed to be probable and a reliable estimate of the outcome of the dispute can be made, management provides for its best estimate of the liability in line with IFRIC 23 principles. These estimates take into account the specific circumstances of each dispute and relevant external advice, and are inherently judgemental in nature and could change substantially over time as new facts emerge and each dispute progresses. The Group regularly takes professional advice to ensure the risks are appropriately analysed and managed with any ultimate potential liability being adequately provided, and continues to invest in its financial systems to improve the quality of the Group's financial data which reduces the risk of an adverse tax authority audit.

3. Critical accounting judgements and key sources of estimation uncertainty continued

As at 31 December 2022, the Group's uncertain tax positions amounted to $50 million (2021: $44 million) (Note 12), while it is not practical to provide a sensitivity analysis due to the number of uncertain tax positions held and the number of jurisdictions to which these relate, the Group reviews material uncertain tax positions on an individual basis and believes that it has accounted for an adequate provision for the liabilities likely to arise from open assessments and audits and continues to re-evaluate existing uncertain positions to determine if a change in facts and circumstances has occurred that would make it necessary to adjust.

Tax contingent liabilities
Due to the Group operating across a number of different tax jurisdictions, it is subject to periodic challenge by local tax authorities on a range of tax matters arising in the normal course of business. These challenges generally include transfer pricing arrangements, other international tax matters and the judgemental interpretation of local tax legislation.

Contingent liabilities

The promotion, marketing and sale of pharmaceutical products and medical devices is highly regulated and the operations of market participants, such as the Group, are closely supervised by regulatory authorities and law enforcement agencies, including the FDA and the US Department of Justice. As a result, the Group is subject to certain investigations by governmental agencies, as well as other various legal proceedings considered typical to its business relating to employment, product liability and commercial disputes which may result in a possible obligation depending on whether some uncertain future event occurs in relation to legal proceedings and/or governmental agencies investigations.

It is the Group's policy to provide for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable.

A contingent liability is not provided for and disclosed in Note 37 if:

- payment is not probable where the Group denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defence of legal proceedings, or
- it is a present obligation but the amount cannot be measured reliably

4. Revenue from contracts with customers

Business and geographical markets

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

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

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

The top selling markets are as below:

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

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

The following table provides contract balances related to revenue:

	2022 $m	2021 $m
Net trade receivables (Note 21)	**777**	781
Contract and refund liabilities (Note 27)	**193**	213

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

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

5. Business segments

For management reporting purposes, the Group is organised into three principal operating divisions – Injectables, Branded and Generics. These divisions are the basis on which the Group reports its segmental information. (See business and financial review section on page 24 for more details on the business segments performance)

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

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

Injectables	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Revenue	**1,141**	**–**	**1,141**	1,053	–	1,053
Cost of sales	**(498)**	**(26)**	**(524)**	(472)	–	(472)
Gross profit/(loss)	**643**	**(26)**	**617**	581	–	581
Total operating expenses	**(215)**	**(57)**	**(272)**	(186)	(44)	(230)
Segment result	**428**	**(83)**	**345**	395	(44)	351

Branded	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Revenue	**691**	**–**	**691**	669	–	669
Cost of sales	**(341)**	**–**	**(341)**	(341)	–	(341)
Gross profit/(loss)	**350**	**–**	**350**	328	–	328
Total operating expenses	**(204)**	**(10)**	**(214)**	(203)	(21)	(224)
Segment result	**146**	**(10)**	**136**	125	(21)	104

Generics	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Revenue	**672**	**–**	**672**	820	–	820
Cost of sales	**(406)**	**(1)**	**(407)**	(432)	–	(432)
Gross profit/(loss)	**266**	**(1)**	**265**	388	–	388
Total operating expenses	**(163)**	**(219)**	**(382)**	(186)	15	(171)
Segment result	**103**	**(220)**	**(117)**	202	15	217

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

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

5. Business segments continued

Group	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Segment result	**680**	**(313)**	**367**	724	(50)	674
Unallocated expenses[1]	**(84)**	**(1)**	**(85)**	(92)	–	(92)
Operating profit/(loss)	**596**	**(314)**	**282**	632	(50)	582
Finance income	**3**	**26**	**29**	1	29	30
Finance expense	**(77)**	**(4)**	**(81)**	(56)	(13)	(69)
Loss from investment at FVTPL	**(2)**	**–**	**(2)**	–	–	–
Results from joint venture	**–**	**–**	**–**	1	–	1
Gain from investment divestiture	**–**	**5**	**5**	–	–	–
Profit/(loss) before tax	**520**	**(287)**	**233**	578	(34)	544
Tax	**(111)**	**69**	**(42)**	(129)	5	(124)
Profit/(loss) for the year	**409**	**(218)**	**191**	449	(29)	420
Attributable to:						
Non-controlling interests	**3**	**–**	**3**	(1)	–	(1)
Equity holders of the parent	**406**	**(218)**	**188**	450	(29)	421

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

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

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

2. Non-current assets exclude investments in joint ventures (Note 18), deferred tax assets (Note 13), and financial and other non-current assets (Note 19)
3. 2021 numbers have been restated to reflect the allocation of goodwill to the relevant operational countries by reclassifying $57 million from the United Kingdom to the United States. Previously, this goodwill was allocated to the holding companies in the United Kingdom

6. Exceptional items and other adjustments

Exceptional items and other adjustments are disclosed separately in the consolidated income statement to assist in the understanding of the Group's core performance. Exceptional items have been recognised in accordance with our accounting policy outlined in Note 2, the details are presented below:

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

Exceptional items and other adjustments

- Gain from investment divestiture: represents $8 million from reclassification of translation gains previously included in other comprehensive income and the $3 million loss on disposal of Hikma Liban S.A.R.L.
- Reorganisation costs: $14 million of reorganisation costs relate to a one-off global restructuring to align staffing levels with current business conditions. Management expects to finish the restructuring in 2023
- Impairment charge on property, plant and equipment and right-of-use assets: $80 million of impairment charge relates to excess capacity and the rationalisation of the R&D pipeline associated production lines mainly in the Generics CGU, in addition to the impairment of generic Advair Diskus® CGU related property, plant and equipment (Notes 9, 16, 17 and 34)
- Impairment charge on intangible assets: $101 million impairment charge mainly relates to the generic Advair Diskus® CGU, other product related intangible assets and marketing rights mainly resulting from decline in performance and forecasted profitability and the rationalisation of the R&D pipeline in the Generics CGU (Notes 9, 16 and 36)
- Intangible assets amortisation other than software: $92 million intangible assets amortisation other than software
- Unwinding of acquisition related inventory step-up: $27 million unwinding of acquisition related inventory step-up reflects the unwinding of the fair value uplift of the inventory acquired as part of Custopharm Topco Holdings, Inc. business combination and the Teligent Inc. Canadian assets acquisition ($25 million and $2 million, respectively) (Note 36)
- Remeasurement of contingent consideration finance income represents the income resulting from the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations (Notes 27, 29 and 30)
- Unwinding of contingent consideration and other financial liability finance expense represents the expense resulting from the unwinding and the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement (Notes 27, 29 and 30)

Tax effect

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

6. Exceptional items and other adjustments continued

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

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

Exceptional items and other adjustments

- Intangible assets write-down: $13 million write-down of software represented year 2020 impact of the application of the IFRIC April 2021 agenda decisions regarding cloud computing arrangement customisation and configuration costs treatment. The Group has adopted the IFRIC update as a change in accounting policy. The impact relating to year 2020 was not material and therefore the application was not retrospectively applied and was recognised in 2021 consolidated income statement as an exceptional item
- Impairment reversal of product related intangibles: $60 million impairment reversal mainly related to generic Advair Diskus® intangible asset as a result of launching the product following FDA approval in April 2021 following an amendment submitted to its Abbreviated New Drug Application in January 2021 (Note 16)
- Impairment of product related intangibles: $24 million impairment charge of different product related intangibles due to a decline in performance and forecasted profitability (Note 16)
- Intangible assets amortisation other than software: $73 million intangible assets amortisation other than software
- Remeasurement of contingent consideration finance income of $29 million represented the income resulting from the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations (Notes 27, 29 and 30)
- Unwinding and remeasurement of contingent consideration and other financial liability finance expense of $13 million represented the expense resulting from the unwinding and the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement (Notes 27, 29 and 30)

Tax effect

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

7. Audit remuneration

The Group auditor's remuneration on a worldwide basis is as below:

	2022 $m	2021[1] $m
Fees to the auditor for the audit of the annual accounts	**1.4**	1.4
Fees to the auditor and its associates for the audit of the Group's subsidiaries	**2.3**	2.0
Total audit fees	**3.7**	3.4
Audit related assurance services[2]	**0.2**	0.2
Total audit and non-audit fees	**3.9**	3.6

1. Amounts have been restated to reflect final amounts billed in relation to 2021
2. Assurance services relate to review procedures in respect to the interim financial information

A description of the work of the Audit Committee is set out in the Audit Committee report on pages 89 to 92 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

8. Staff costs

The average monthly number of employees (including Executive Directors) was:

	2022 Number	2021 Number
Production	**5,071**	4,924
Sales, general and administration	**3,234**	3,273
Research and development	**530**	506
	8,835	8,703

	2022 $m	2021 $m
Aggregate remuneration comprised:		
Wages, salaries and bonuses	**411**	407
Social security costs	**37**	38
Post-employment benefits	**16**	15
End of service indemnity	**20**	9
Share-based payments (Note 38)	**22**	29
Car and housing allowances	**22**	22
Health insurance	**42**	41
Other costs and employee benefits	**23**	22
	593	583

9. Other operating income/expenses

Other operating expense	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Impairment charge	**1**	**181**	**182**	1	24	25
Intangible assets write-down	**–**	**–**	**–**	–	13	13
Loss on disposal/damage of property, plant and equipment	**1**	**–**	**1**	1	–	1
Forex and net monetary hyperinflation losses, net	**20**	**–**	**20**	36	–	36
Others	**3**	**–**	**3**	2	–	2
	25	**181**	**206**	40	37	77

Impairment charges of $182 million primarily related to excess capacity due to the rationalisation of the Generics R&D pipeline and associated production lines in addition to the impairment of generic Advair Diskus CGU (Notes 6, 16, 17, 34 and 36). In 2021, the impairment charge of $25 million mainly related to certain product related intangible assets.

Other operating income	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Gain from disposal of property, plant and equipment	**1**	**–**	**1**	–	–	–
Gain from disposal of intangible assets	**6**	**–**	**6**	–	–	–
Impairment reversal of intangible assets	**–**	**–**	**–**	–	60	60
Others	**7**	**–**	**7**	2	–	2
	14	**–**	**14**	2	60	62

In 2021, $60 million impairment reversal mainly related to generic Advair Diskus® CGU (Notes 6 and 16).

10. Finance income

	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Interest income	**3**	**–**	**3**	1	–	1
Remeasurement of contingent consideration (Notes 27 and 30)	**–**	**26**	**26**	–	29	29
	3	**26**	**29**	1	29	30

11. Finance expense

	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Interest on bank overdrafts and loans	**37**	**–**	**37**	21	–	21
Interest on Eurobond	**18**	**–**	**18**	18	–	18
Unwinding and remeasurement of contingent consideration and other financial liabilities (Notes 27 and 30)	**–**	**4**	**4**	–	13	13
Other bank charges	**11**	**–**	**11**	13	–	13
Lease accretion of interest	**4**	**–**	**4**	4	–	4
Net foreign exchange loss	**7**	**–**	**7**	–	–	–
	77	**4**	**81**	56	13	69

12. Tax

	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Current tax						
Current year	**121**	**(16)**	**105**	114	(7)	107
Adjustment to prior years	**(1)**	**–**	**(1)**	(13)	–	(13)
Deferred tax (Note 13)						
Current year	**(5)**	**(53)**	**(58)**	20	2	22
Adjustment to prior year	**(4)**	**–**	**(4)**	8	–	8
	111	**(69)**	**42**	129	(5)	124

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

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

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

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

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

12. Tax continued

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

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

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

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

Global minimum tax

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

US Section 174 Update

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

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

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

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

Publication of tax strategy

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

13. Deferred tax

Deferred tax assets and liabilities have been offset where it is appropriate to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	As at 31 December	
	2022 $m	2021 $m
Deferred tax liabilities	**(19)**	(24)
Deferred tax assets	**192**	183
	173	159

The table below represents the deferred tax movement in 2022:

	Product related provision $m	**Intangible assets $m**	**Other provisions and accruals $m**	**Unremitted earnings $m**	**Others $m**	**Total $m**
1 January 2022	94	77	12	(8)	(16)	159
Credit/(charge) to income	(5)	21	3	4	39	62
Acquisition of subsidiary	(5)	(53)	1	–	11	(46)
Currency translation and hyperinflation impact	(1)	1	–	–	(2)	(2)
At 31 December 2022	**83**	**46**	**16**	**(4)**	**32**	**173**

The table below represents the deferred tax movement in 2021:

	Product related provision $m	Intangible assets $m	Other provisions and accruals $m	Unremitted earnings $m	Others $m	Total $m
1 January 2021	111	76	18	(11)	(4)	190
Credit/(charge) to income	(17)	–	(6)	3	(10)	(30)
Currency translation and hyperinflation impact	–	1	–	–	(2)	(1)
At 31 December 2021	**94**	**77**	**12**	**(8)**	**(16)**	**159**

The Group has a potential deferred tax asset of $246 million (2021: $234 million), of which $192 million (2021: $183 million) has been recognised.

No deferred tax asset has been recognised on gross temporary differences totalling $223 million (2021: $208 million) mainly due to the unpredictability of the related future profit streams. $195 million (2021: $194 million) of these gross temporary differences relate to losses, of which $189 million are UK losses that don't expire. No deferred tax is recognised against the losses due to significant uncertainty regarding future taxable income forecasts in the relevant jurisdictions. $1 million of non-UK losses are expected to expire in 2023. The remaining $28 million represent other unrecognised gross short-term temporary differences that relate to multiple jurisdictions.

During the year a reduction in the deferred tax liability has been recognised on temporary differences relating to the unremitted earnings of overseas subsidiaries of $4 million (2021: reduction of $3 million). No deferred tax liability has been recognised on the remaining unremitted earnings of $294 million (2021: $207 million), as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

Other deferred taxes mainly relate to property, plant and equipment as well as the difference between book and tax bases in relation to the research and development expenditures. The current year increase is driven by the effect of change in US tax law (section 174), whereby the tax base of certain research and development expenditures were capitalised and amortised over a period of time, thereby resulting in a deferred tax asset. Moreover, the impairment of certain property, plant and equipment within the US Generics business has also resulted in an increase in deferred tax assets.

14. Dividends

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

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

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

15. Earnings per share (EPS)

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

	2022 Core results $m	2022 Exceptional items and other adjustments (Note 6) $m	2022 Reported results $m	2021 Core results $m	2021 Exceptional items and other adjustments (Note 6) $m	2021 Reported results $m
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent	**406**	**(218)**	**188**	450	(29)	421

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

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

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

1. Weighted average number of Ordinary shares has been calculated by the weighted average number of shares in issue during the year after deducting Treasury shares (Note 31)

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

16. Goodwill and other intangible assets

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

	Goodwill	Other intangible assets			
	$m	Product related intangible assets $m	Software $m	Other identified intangibles $m	Total $m
Cost					
Balance at 1 January 2021	697	1,041	145	205	2,088
Write-down	–	–	(14)	–	(14)
Additions	–	14	11	58	83
Reclassification	–	3	–	(3)	–
Translation adjustments	(4)	(2)	–	(3)	(9)
Balance at 1 January 2022	**693**	**1,056**	**142**	**257**	**2,148**
Additions	–	48	1	36	85
Disposals	–	–	–	(3)	(3)
Translation adjustments	(15)	(5)	(2)	(5)	(27)
Acquisition of subsidiaries (Note 36)	119	251	–	–	370
Balance at 31 December 2022	**797**	**1,350**	**141**	**285**	**2,573**
Accumulated amortisation and impairment					
Balance at 1 January 2021	(408)	(629)	(81)	(94)	(1,212)
Write-down	–	–	1	–	1
Charge for the year	–	(59)	(11)	(14)	(84)
Impairment reversal	–	60	–	–	60
Impairment charge	–	(23)	–	(1)	(24)
Translation adjustments	–	1	–	2	3
Balance at 1 January 2022	**(408)**	**(650)**	**(91)**	**(107)**	**(1,256)**
Charge for the year	–	(75)	(8)	(17)	(100)
Impairment charge	–	(72)	(1)	(29)	(102)
Translation adjustments	–	4	2	3	9
Balance at 31 December 2022	**(408)**	**(793)**	**(98)**	**(150)**	**(1,449)**
Carrying amount					
At 31 December 2022	**389**	**557**	**43**	**135**	**1,124**
At 31 December 2021	285	406	51	150	892

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

The addition of product related intangible assets during the year mainly relates to the acquisition of the Canadian assets of Teligent Inc (Note 36).

Goodwill

Goodwill represents the excess of the aggregate of consideration, non-controlling interest and any fair value of previously held equity interest over the fair value of the identifiable net assets acquired (including acquired contingent liabilities). Goodwill is allocated at acquisition to the CGUs that are expected to benefit from that business combination. The goodwill of $119 million arising from the acquisition of Custopharm Topco Holdings, Inc. has been allocated to the Injectables CGU reflecting the integration of the business, as Custopharm Topco Holdings, Inc. will not be able to generate cash inflows that are independent from the injectables CGU (Note 36).

The carrying amount of goodwill has been allocated as follows:

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

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

16. Goodwill and other intangible assets continued

CGUs

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

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

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

The Group performed its annual goodwill and CGU impairment test by calculating the recoverable amount based on discounted cash flows by applying an appropriate discount rate that reflects the risk factors associated with the cash flows and the CGUs under which these products sit. These values are then compared to the carrying value of the CGUs to determine whether an impairment is required. In addition, the Group models sensitivities on the recoverable amounts calculated to determine whether reasonable changes in key assumptions could lead to a potential impairment. If such reasonable changes would result in an impairment, then in accordance with IAS36 these are disclosed below. For the Branded, Injectables and Generics CGUs the Group has determined that sufficient headroom[1] still exists under reasonable changes in key assumptions. Specifically, an evaluation of the CGUs was made assuming an increase of two percentage points in the discount rate, or a 10% decline in the projected cash flows, or a 5% decline in the projected cash flows in the terminal year or assuming zero terminal growth rate and in all cases sufficient headroom exists.

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

The Group evaluated the generic Advair Diskus® CGU recoverable amount based on a FVLCD model, being the higher value compared to VIU. The evaluation resulted in an impairment of $75 million ($59 million was allocated to intangible assets and $16 million to property, plant and equipment on a pro-rata basis (Note 17)) due to the decline in performance and forecasted profitability, bringing the revised carrying value to $75 million. This valuation methodology uses significant inputs which are not based on observable market data; therefore, this valuation technique is classified as a level 3 valuation.

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

Climate-related matters: The Group monitors the development of climate related risks. At the current time, climate change is not expected to have a material impact on the consolidated financial statements (see page 52). The Group conducted a sensitivity for the potential impact of climate change; such a scenario had a minimal impact on the recoverable amount of all CGUs.

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

16. Goodwill and other intangible assets continued

Product-related intangible assets

In-Process Research and Development (IPR&D)

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

Product rights

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

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

Software

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

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

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

Other identified intangibles

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

Customer relationships

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

Trade names

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

Marketing rights

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

17. Property, plant and equipment

Cost	Land and buildings $m	Machinery and equipment $m	Vehicles, fixtures and equipment $m	Projects under construction $m	Total $m
Balance at 1 January 2021	**636**	**761**	**130**	**255**	**1,782**
Additions	18	17	7	104	146
Disposals	(3)	(10)	(6)	(10)	(29)
Transfers	28	39	8	(75)	–
Translation adjustment	(3)	(11)	(1)	(3)	(18)
Balance at 1 January 2022	**676**	**796**	**138**	**271**	**1,881**
Additions	4	16	7	114	141
Disposals	(1)	(10)	(3)	(1)	(15)
Transfers	74	35	11	(120)	–
Acquisition of subsidiaries (Note 36)	–	1	–	–	1
Transfers to assets classified as held for distribution	(2)	–	–	–	(2)
Translation adjustment	(26)	(19)	(8)	(2)	(55)
Balance at 31 December 2022	**725**	**819**	**145**	**262**	**1,951**
Accumulated depreciation and impairment					
Balance at 1 January 2021	**(219)**	**(434)**	**(107)**	**(13)**	**(773)**
Charge for the year	(15)	(39)	(17)	–	(71)
Disposals	3	8	7	10	28
Impairment	(1)	–	–	–	(1)
Translation adjustment	1	7	–	–	8
Balance at 1 January 2022	**(231)**	**(458)**	**(117)**	**(3)**	**(809)**
Charge for the year	(21)	(47)	(12)	–	(80)
Disposals	1	9	3	–	13
Impairment	–	(16)	–	(61)	(77)
Translation adjustment	8	13	5	–	26
Balance at 31 December 2022	**(243)**	**(499)**	**(121)**	**(64)**	**(927)**
Carrying amount					
At 31 December 2022	**482**	**320**	**24**	**198**	**1,024**
At 31 December 2021	445	338	21	268	1,072

Land is not subject to depreciation.

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

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

As at 31 December 2022, the Group booked an impairment charge of $77 million (2021: $1 million). $61 million of the impairment charge is in respect of the excess capacity and the rationalisation of the R&D pipeline associated production lines in the Generics CGU, in addition to $16 million of impairment of generic Advair Diskus® CGU related property, plant and equipment (Notes 6, 9 and 16).

18. Investments in joint ventures

The Group's share in Hubei Haosun Pharmaceutical Co., Ltd. was 49% at 31 December 2022 (31 December 2021: 49%) with an investment balance of $10 million at 31 December 2022 (31 December 2021: $10 million) and share of the profit for the year ended 31 December 2022 of $nil (2021: $1 million).

The table below represents investment in joint ventures movement during the year.

	As at 31 December	
	2022 $m	2021 $m
Balance at 1 January	**10**	9
Group's share of profit of joint ventures	**–**	1
Balance at 31 December	**10**	10

Summarised financial information in respect of the Group's interests in Hubei Haosun Pharmaceutical Co., Ltd. is set out below:

	As at 31 December	
	2022 $m	2021 $m
Total assets	**23**	24
Total liabilities	**(5)**	(6)
Net assets	**18**	18
Group's share of net assets of joint ventures	**9**	9

	For the year ended 31 December 2022 $m	For the year ended 31 December 2021 $m
Total revenue	**5**	8
Net profit	**1**	1
Group's share of profit of joint ventures	**–**	1

19. Financial and other non-current assets

	As at 31 December	
	2022 $m	2021 $m
Investments at FVTOCI	**42**	36
Other non-current assets	**23**	11
	65	47

Investments at FVTOCI include investments through the Group's venture capital arm, Hikma International Ventures and Development LLC and Hikma Ventures Limited, which are not held for trading and which the Group has irrevocably elected at initial recognition to recognise in this category. During the year, the venture arm invested in six new companies and increased investment in two existing ventures.

Most of the investments are unlisted shares without readily determinable fair values that fall under level 3 valuation (Note 29). Their fair value is measured based on observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

One investment is a listed company with a readily determinable fair value that falls under level 1 valuation (Note 29). Its value is measured at the share price market value.

During the year, total change in fair value was a net loss of $8 million (2021: $14 million gain) recognised in other comprehensive income.

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

20. Inventories

	As at 31 December	
	2022 $m	2021 $m
Finished goods	**284**	245
Work-in-progress	**103**	92
Raw and packing materials	**412**	373
Goods in transit	**25**	24
Spare parts	**42**	38
Provision against Inventory[1]	**(90)**	(77)
	776	695

1. The cost of inventory related provision recognised as an expense in the cost of sales in the consolidated income statement was $42 million (2021: $48 million)

Inventories are stated net of provision as follows:

	As at 1 January $m	Additions $m	Utilisation $m	Translation adjustments $m	**As at 31 December $m**
Provisions against inventory in 2022	**77**	**42**	**(27)**	**(2)**	**90**
Provisions against inventory in 2021	92	48	(62)	(1)	77

21. Trade and other receivables

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

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

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

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

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

More details on the Group's policy for credit and concentration risk are provided in Note 29.

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

21. Trade and other receivables continued

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

22. Cash and cash equivalents

	As at 31 December	
	2022 $m	2021 $m
Cash at banks and on hand[1]	**159**	155
Time deposits	**110**	249
Money market deposits	**1**	22
	270	426

1. In 2022, cash at banks includes $62 million placed in interest bearing accounts

Cash and cash equivalents include highly liquid investments with maturities of three months or less which are convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Money market deposits comprise investment in funds at FVTPL that are subject to insignificant risk of changes in fair value and can be readily converted into cash that fall under level 1 valuation (Note 29).

23. Other current assets

	As at 31 December	
	2022 $m	2021 $m
Prepayments	**74**	65
Investment at FVTPL	**22**	24
Others	**14**	8
	110	97

Investment at FVTPL represents the agreement the Group entered into with an asset management firm in 2015 to manage a $20 million portfolio of underlying debt instruments. The investment comprises a portfolio of assets that are managed by an asset manager and is measured at fair value; any changes in fair value go through the consolidated income statement. These assets are classified as level 1 as they are based on quoted prices in active markets (Note 29).

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

24. Short-term financial debts

	As at 31 December	
	2022 $m	2021 $m
Bank overdrafts	**11**	3
Import and export financing	**62**	58
Short-term loans	**2**	3
Current portion of long-term loans (Note 28)	**64**	48
	139	112

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

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

25. Trade and other payables

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

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

26. Other provisions

Other provisions represent the end of service indemnity provisions for employees of certain Group subsidiaries including some immaterial amounts for defined benefit plans. This provision is calculated based on relevant laws in the countries where each Group company operates, in addition to their own policies. For defined benefit plans, the actuarial valuations performed did not result in any change in the net liability (2021: Loss of $2 million).

Movements on the provision for end of service indemnity:

	2022 $m	2021 $m
1 January	**31**	28
Additions	**8**	11
Remeasurement of post-employment benefit obligations	**–**	2
Utilisation	**(7)**	(10)
At 31 December	**32**	31

27. Other current liabilities

	As at 31 December	
	2022 $m	2021 $m
Contract and refund liabilities	**193**	213
Co-development and earnout payment (Notes 29 and 30)	**2**	2
Acquired contingent liability (Note 30)	**7**	15
Contingent consideration (Notes 29 and 30)	**24**	12
Indirect rebate and other allowances	**101**	80
Others	**21**	17
	348	339

Contract and refund liabilities: The Group allows customers to return products within a specified period prior to and subsequent to the expiration date. In addition, free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as compensation for expired or returned goods.

At 31 December 2022, the provision balance relating to returns was $168 million (2021: $193 million). The key assumptions included in calculating this provision are estimations of the product shelf life, estimations of revenue estimated to be subject to returns and the estimated returns rate of 1.78% (2021: 1.74%) as informed by both historical return rates and consideration of specific factors like product dating and expiration, new product launches, entrance of new competitors, and changes to contractual terms. Based on the conditions existing at the balance sheet date, a ten-basis point increase/decrease in the returns and allowances rate would increase/decrease this provision by approximately $9 million (2021: $11 million).

	As at 31 December 2021 $m	Additions $m	Utilisation $m	Translation Adjustment $m	Acquisition of subsidiaries $m	**As at 31 December 2022 $m**
Contract and refund liabilities	**213**	**50**	**(76)**	**(2)**	**8**	**193**

	As at 31 December 2020 $m	Additions $m	Utilisation $m	Translation Adjustment $m	As at 31 December 2021 $m
Contract and refund liabilities	162	132	(81)	–	213

27. Other current liabilities continued

During the year ended 31 December 2022, $15 million (2021: $8 million) revenue was recognised from transferring free goods to the customers.

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

At 31 December 2022, the provision balance relating to the indirect rebates was $55 million (2021: $56 million). The key inputs and assumptions included in calculating this provision are the historical relationship between contractual rebate payments to revenue, past payment experience, changes to pricing and sales levels, estimation of 'in channel inventory at the wholesalers and retail pharmacies and estimated future sales trends (including customer mix). Based on the conditions existing at the balance sheet date, a ten-basis point increase/decrease in rebates rate of 3.1% (2021: 2.1%) would increase/decrease this provision by approximately $2 million (2021: $3 million).

28. Long-term financial debts

	As at 31 December	
	2022 $m	2021 $m
Long-term loans	**644**	207
Long-term borrowings (Eurobond)	**494**	492
Less: current portion of long-term loans (Note 24)	**(64)**	(48)
Long-term financial loans	**1,074**	651
Breakdown by maturity:		
Within one year	**64**	48
In the second year	**65**	44
In the third year	**553**	37
In the fourth year	**52**	524
In the fifth year	**401**	23
In the sixth year	**1**	22
Thereafter	**2**	1
	1,138	699
Breakdown by currency:		
US dollar	**1,068**	620
Euro	**31**	44
Jordanian dinar	**16**	10
Algerian dinar	**16**	13
Saudi riyal	**–**	9
Moroccan dirham	**6**	3
Tunisian dinar	**1**	–
	1,138	699

The loans are held at amortised cost.

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

Major loan arrangements include:

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

b) $108 million outstanding balance at 31 December 2022 (fair value of $98 million) related to a ten-year $150 million loan from the International Finance Corporation that has been fully utilised since April 2020. Quarterly equal repayments of the loan commenced on 15 March 2021. The loan was used for general corporate purposes. The facility matures on 15 December 2027

c) A $500 million (carrying value of $494 million, and fair value of $466 million) 3.25%, five-year Eurobond was issued on 9 July 2020 with a rating of BBB- (S&P & Fitch) which is due in July 2025. The proceeds of the issuance were used for general corporate purposes

28. Long-term financial debts continued

d) An eight-year $200 million loan facility from the International Finance Corporation and Managed Co-lending Portfolio program. There was no utilisation of the loan as of December 2022. The facility matures on 15 September 2028 and can be used for general corporate purposes

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

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

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

29. Financial policies for risk management and their objectives

Credit and concentration of risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the consolidated balance sheet are net of allowances for expected credit loss, chargebacks, and other allowances. A provision for impairment is made based on expected credit losses which are estimated based on previous experience, current events and forecasts of future conditions. A loan or receivable is considered impaired when there is no reasonable expectation of recovery, or when a debtor fails to make a contractual payment for a specific period which varies based on the type of debtor and the market in which they operate.

In line with local market practice, customers in the MENA region are offered relatively long payment terms compared to customers in Europe and the US. During the year ended 31 December 2022, the Group's largest two customers in the MENA region represented 6.9% of Group revenue (2021: 5.6%), 5.3% from one customer in Saudi Arabia (2021: 4.3%), and 1.6% from one customer in Egypt (2021: 1.3%). At 31 December 2022, the amount of receivables due from all customers based in Saudi Arabia was $139 million (2021: $102 million) and the amount of receivables due from all customers based in Egypt was $41 million (2021: $57 million).

During the year ended 31 December 2022, three key US wholesalers represented 37% of Group revenue (2021: 38%). The amount of receivables due from all US customers at 31 December 2022 was $325 million (2021: $332 million).

The Group manages this risk through the implementation of stringent credit policies, procedures and certain credit insurance agreements.

Trade receivable exposures are monitored consistently as they arise. Credit limits are set as deemed appropriate for the customer, based on a number of qualitative and quantitative factors related to the creditworthiness of a particular customer. The Group is exposed to a variety of customers ranging from government-backed agencies and large private wholesalers to privately owned pharmacies, and the underlying local economic risks vary across the Group. Typical credit terms in the US range from 30 to 90 days, in Europe 30 to 120 days, and in MENA 180 to 360 days. Where appropriate, the Group endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance.

The following table provides a summary of the age of trade receivables (Note 21):

		Past due				
At 31 December 2022	**Not past due on the reporting date $m**	**Less than 90 days $m**	**Between 91 and 180 days $m**	**Between 181 and 360 days $m**	**Over one year $m**	**Total $m**
Expected credit loss rate	**0.01%**	**0.11%**	**5.93%**	**5.99%**	**57.1%**	**4.7%**
Gross trade receivables as at 31 December 2022	**905**	**94**	**20**	**19**	**90**	**1,128**
Related allowance for expected credit loss	**–**	**–**	**(1)**	**(1)**	**(51)**	**(53)**
Chargebacks and other allowances	**(298)**	**–**	**–**	**–**	**–**	**(298)**
Net trade receivables	**607**	**94**	**19**	**18**	**39**	**777**

29. Financial policies for risk management and their objectives continued

At 31 December 2021	Not past due on the reporting date $m	Past due				Total $m
		Less than 90 days $m	Between 91 and 180 days $m	Between 181 and 360 days $m	Over one year $m	
Expected credit loss rate	0.01%	0.05%	11.1%	14.3%	53.4%	4.7%
Gross trade receivables as at 31 December 2021	910	72	9	28	88	1,107
Related allowance for expected credit loss	–	–	(1)	(4)	(46)	(51)
Chargebacks and other allowances	(275)	–	–	–	–	(275)
Net trade receivables	635	72	8	24	42	781

Market risk

The Group is exposed to foreign exchange and interest rate risks. The Group's objective is to reduce, where it is appropriate to do so, fluctuations in earnings and cash flow associated with changes in interest rates and foreign currency rates. Management actively monitors these exposures to manage the volatility relating to these exposures by entering into a variety of derivative financial instruments, if needed.

Capital risk management

The Group manages its capital and monitors its liquidity to have reasonable assurance that the Group will be able to continue as a going concern and deliver its growth strategy objectives, while reducing its cost of capital and maximising the return to shareholders through the optimisation of the debt and equity mix. The Group regularly reviews the capital structure by considering the level of available capital and the short to medium-term strategic plans concerning future capital spend, as well as the need to meet dividends, banking covenants, and borrowing ratios.

The Group defines capital as equity plus net debt which includes long and short-term financial debts (Notes 24 and 28), lease liabilities (Note 33), net of cash and cash equivalents (Note 22). Group net debt excludes co-development and earnout payments, acquired contingent liabilities and contingent consideration (Notes 27 and 30).

During the year, the Group continued its strategy of obtaining debt financing at both the Group level and at the operating entities level. This enables the Group to borrow at competitive rates and to build relationships with local, regional and international banks and is therefore deemed to be the most effective means of raising finance, while maintaining the balance between borrowing cost, asset and liability management, and consolidated balance sheet currency risk management.

In order to monitor the available net funds, management reviews financial capital reports on a monthly basis, in addition to the continuous review by the Group treasury function.

At 31 December 2022, the Group's gearing ratio (total debt/equity) was 60% (2021: 34%). The increase in the Group's gearing ratio is due to higher debt utilisation used primarily to finance the acquisitions of Custopharm and the Teligent's Inc. Canadian assets, as well as lower equity due to the share buyback carried out in the first half of the year.

Cash management

The Group manages the deployment of cash balances to predefined limits approved by the Board of Directors under the cash/risk management policy. Per the policy, the Group's excess cash should be held with highly rated global and regional financial institutions. The aim of the policy is to mitigate the risk of holding cash in certain currencies, countries and financial institutions, through a specific threshold. The Group reviews the policy periodically to meet its risk appetite.

Foreign exchange risk and currency risk

The Group uses the US dollar as its reporting currency and is therefore exposed to foreign exchange movements primarily in the Euro, Algerian dinar, Sudanese pound, Japanese yen, Egyptian pound, Tunisian dinar and Moroccan dirham. Consequently, where possible, the Group enters into various contracts, which change in value as foreign exchange rates change, to hedge against the risk of movement in foreign denominated assets and liabilities. Due to the lack of open currency markets, the Algerian dinar, the Sudanese pound, the Tunisian dinar, the Moroccan dirham and the Egyptian pound cannot be hedged at reasonable cost. Where possible, the Group uses financing facilities denominated in local currencies to mitigate the risks. The Jordanian dinar and the Saudi riyal had no impact on the consolidated income statement as those currencies are pegged against the US dollar.

Lebanon and Sudan were considered to be hyperinflationary economies in the year ended 31 December 2022. At 31 December 2022, the prevailing rate for Sudanese pound was 583.34 per US dollar (2021: 436.28). For Lebanon, the Group disposed of the subsidiary Hikma Liban S.A.R.L. on 8 November 2022 using the prevailing rate at that date which was 30,300 Lebanese pound per US dollar (2021: 1,507.5).

Currency risks, as defined by IFRS 7, arise on account of financial instruments being denominated in a currency that is other than the functional currency of an entity and being of a monetary nature.

29. Financial policies for risk management and their objectives continued

The currencies that have a significant impact on the Group accounts and the exchange rates used are as follows:

	Year-end rates		Average rates	
	2022	2021	**2022**	2021
US dollar /Euro	**0.934**	0.880	**0.950**	0.845
US dollar /Sudanese pound[1]	**583.342**	436.280	**–[1]**	–[1]
US dollar /Algerian dinar	**137.202**	138.719	**141.850**	135.097
US dollar /Saudi riyal	**3.750**	3.750	**3.750**	3.750
US dollar /Pound sterling	**0.827**	0.739	**0.809**	0.727
US dollar /Jordanian dinar	**0.709**	0.709	**0.709**	0.709
US dollar /Egyptian pound	**24.702**	15.655	**19.240**	15.634
US dollar /Japanese yen	**131.270**	115.080	**131.594**	109.805
US dollar /Moroccan dirham	**10.448**	9.280	**10.176**	8.992
US dollar /Tunisian dinar	**3.110**	2.887	**3.104**	2.802
US dollar /Lebanese pound[2]	**30,300**	1,507.5	**–[2]**	–[2]

1. In both years, Sudan has been a hyperinflationary economy and Sudanese operations were translated using the year end rate
2. On 8 November 2022, the Group disposed of the subsidiary Hikma Liban S.A.R.L. using the prevailing rate at that date which was 30,300 Lebanese pound per US dollar. In 2021, Lebanon has been a hyperinflationary economy and Lebanese operations were translated using the period end rate

	Net foreign currency financial assets/(liabilities)			
2022	**US dollar $m**	**Euro $m**	**Japanese yen $m**	**Others[1] $m**
Functional currency of entity:				
– Jordanian dinar	**166**	**12**	**(6)**	**12**
– Euro	**42**	**–**	**–**	**–**
– Algerian dinar	**(11)**	**–**	**–**	**–**
– Saudi riyal	**12**	**(11)**	**–**	**–**
– Sudanese pound	**(40)**	**1**	**–**	**1**
– Egyptian pound	**(17)**	**(4)**	**–**	**–**
– Tunisian dinar	**(1)**	**4**	**–**	**9**
– Moroccan dirham	**(7)**	**(5)**	**–**	**–**
– Canadian dollar	**1**	**–**	**–**	**–**
– US dollar	**–**	**(11)**	**–**	**6**
	145	**(14)**	**(6)**	**28**

1. Others include Saudi riyal, Jordanian dinar and Pound sterling

	Net foreign currency financial assets/(liabilities)			
2021	US dollar $m	Euro $m	Japanese yen $m	Others[1] $m
Functional currency of entity:				
– Jordanian dinar	241	21	(6)	17
– Euro	30	–	–	–
– Algerian dinar	(2)	–	–	–
– Saudi riyal	7	(10)	–	–
– Sudanese pound	(31)	–	–	–
– Egyptian pound	(12)	1	–	–
– Tunisian dinar	1	3	–	5
– Moroccan dirham	(5)	(4)	–	–
– Lebanese pound	–	–	–	5
	229	11	(6)	27

1. Others include Saudi riyal, Jordanian dinar and Pound sterling

29. Financial policies for risk management and their objectives continued

A sensitivity analysis based on a 10% movement in foreign exchange rates would result in a $15 million (2021: $26 million) movement in foreign exchange loss/gain on the Group results.

The Group sets certain limits on liquid funds per currency (other than the US dollar) and per country.

Interest rate risk

	As at 31 December 2022			As at 31 December 2021		
	Fixed rate $m	**Floating rate $m**	**Total $m**	Fixed rate $m	Floating rate $m	Total $m
Financial liabilities						
Interest-bearing loans and borrowings	**638**	**575**	**1,213**	672	91	763
Lease liabilities	**70**	**–**	**70**	83	–	83
Financial assets						
Interest-bearing cash and cash equivalents	**–**	**173**	**173**	–	271	271

An interest rate sensitivity analysis assumes an instantaneous one percentage point change in interest rates in all currencies from their levels at 31 December 2022, with all other variables held constant. Based on the composition of the Group's net debt portfolio as at 31 December 2022, a one percentage point increase/decrease in interest rates would result in $4 million decrease/increase in net finance cost per year (2021: $2 million increase/decrease).

During 2022, the Group completed the transitioning of most of its USD Libor loans to Term SOFR. As at 31 December 2022, $0.06 million (2021: $0.05 million) of the Group's utilised debt portfolio, as well as $93 million (2021: $1,243 million) of the Group's unutilised debt facilities have USD LIBOR as the benchmark interest rate.

Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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

- Cash at banks and on hand and time deposit – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers the carrying amounts to be not significantly different from their fair values
- Short-term loans and overdrafts approximate to their fair value because of the short maturity of these instruments
- Long-term loans – loans with variable rates are re-priced in response to any changes in market rates and so management considers their carrying values to be not significantly different from their fair values

Loans with fixed rates relate mainly to:

- $500 million (carrying value at 31 December 2022 of $494 million, and fair value at 31 December 2022 of $466 million) Eurobond accounted for at amortised cost. The fair value is determined with reference to a quoted price in an active market as at the balance sheet date (a level 1 fair value) (Note 28)
- A ten-year $150 million loan from the International Finance Corporation with outstanding balance of $108 million (fair value at 31 December 2022 of $98 million). Fair value is estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities of such loans (a level 2 fair value)
- Receivables and payables – the fair values of receivables and payables are estimated to not be significantly different from the respective carrying amounts

Management classifies items that are recognised at fair value based on the level of the inputs used in their fair value determination as described below:

- **Level 1:** Quoted prices in active markets for identical assets or liabilities
- **Level 2:** Inputs that are observable for the asset or liability
- **Level 3:** Inputs that are not based on observable market data

29. Financial policies for risk management and their objectives continued

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

Fair value measurements At 31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Investments at FVTPL (Note 23)	**22**	**–**	**–**	**22**
Money market deposit (Note 22)	**1**	**–**	**–**	**1**
Investments in listed companies at FVTOCI (Note 19)	**4**	**–**	**–**	**4**
Investments in unlisted shares at FVTOCI (Note 19)	**–**	**–**	**38**	**38**
Total financial assets	**27**	**–**	**38**	**65**
Financial liabilities				
Co-development and earnout payment liabilities (Note 27 and 30)	**–**	**–**	**3**	**3**
Contingent consideration liability (Note 27 and 30)	**–**	**–**	**42**	**42**
Total financial liabilities	**–**	**–**	**45**	**45**

Fair value measurements At 31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Investments at FVTPL (Note 23)	24	–	–	24
Money market deposit (Note 22)	22	–	–	22
Investments in listed companies at FVTOCI (Note 19)	14	–	–	14
Investments in unlisted shares at FVTOCI (Note 19)	–	–	22	22
Total financial assets	**60**		**22**	**82**
Financial liabilities				
Co-development and earnout payment liabilities (Note 27 and 30)	–	–	4	4
Contingent consideration liability (Note 27 and 30)	–	–	70	70
Total financial liabilities	**–**	**–**	**74**	**74**

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

	Financial assets $m	Financial liabilities $m
1 January 2021	25	94
Settled	–	(4)
Remeasurement of contingent consideration and other financial liability recognised in finance income	–	(29)
Unwinding of contingent consideration and other financial liability recognised in finance expense	–	13
Change in fair value of investments at FVTOCI	24	–
Additions	3	–
Sale of investment at FVTOCI	(30)	–
Balance at 31 December 2021 and 1 January 2022	**22**	**74**
Settled	**–**	**(7)**
Remeasurement of contingent consideration and other financial liability recognised in finance income	**–**	**(26)**
Unwinding of contingent consideration and other financial liability recognised in finance expense	**–**	**4**
Change in fair value of investments at FVTOCI	**1**	**–**
Additions	**15**	**–**
Balance at 31 December 2022	**38**	**45**

Contingent consideration liability represents contractual liability to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products. These liabilities were recognised as part of the Columbus business acquisition.

The critical areas of estimates in relation to the valuation of the contingent consideration are the probabilities assigned to reaching the success-based milestones and management's estimate of future sales. The valuation for the payments that are based on future sales is based on a discounted cash flow model applied to projected future sales for a period of eight years (2021: nine years) using a post-tax discount rate of 9.1%. The key assumption used for this valuation is the sales projections informed by pricing and volume assumptions which were determined using probability weighted average of different possibilities on sales growth rates. The valuation for milestone payments is based on 100% probability of success and is discounted using a rate of 4.9%.

29. Financial policies for risk management and their objectives continued

During the year, the contingent consideration liability decreased by $28 million mainly resulting from remeasurement of the liability due to a decrease in the projected future sales.

If the future sales were 10% higher or lower, the fair value of the contingent consideration will increase/decrease by $4 million (2021: $8 million) (Notes 27 and 30).

If the probability assigned to reaching the success-based milestones were 5% lower, the fair value of the contingent consideration will decrease by $1 million (2021: $1 million) (Notes 27 and 30).

Liquidity risk

Undiscounted cash flows for financial liabilities 2022	**Less than one year $m**	**One to five years $m**	**More than five years $m**	**Total $m**
Interest-bearing long-term loans and borrowings (Note 28)	**(103)**	**(1,203)**	**(3)**	**(1,309)**
Interest-bearing short-term loans and borrowings (Note 24)	**(2)**	**–**	**–**	**(2)**
Interest-bearing overdrafts (Note 24)	**(12)**	**–**	**–**	**(12)**
Interest-bearing import and export loans (Note 24)	**(64)**	**–**	**–**	**(64)**
Interest bearing lease liabilities (Note 33)	**(10)**	**(27)**	**(52)**	**(89)**
Trade payables and accruals (Note 25)	**(462)**	**–**	**–**	**(462)**
Co-development and earnout payment (Notes 27 and 30)	**(4)**	**(1)**	**–**	**(5)**
Acquired contingent liability (Notes 27 and 30)	**(7)**	**(26)**	**(43)**	**(76)**
Contingent consideration (Notes 27 and 30)	**(26)**	**(18)**	**(6)**	**(50)**
	(690)	**(1,275)**	**(104)**	**(2,069)**

Undiscounted cash flows for financial liabilities 2021	Less than one year $m	One to five years $m	More than five years $m	Total $m
Interest-bearing long-term loans and borrowings (Note 28)	(70)	(710)	(23)	(803)
Interest-bearing short-term loans and borrowings (Note 24)	(3)	–	–	(3)
Interest-bearing overdrafts (Note 24)	(3)	–	–	(3)
Interest-bearing import and export loans (Note 24)	(60)	–	–	(60)
Interest bearing lease liabilities (Note 33)	(12)	(36)	(71)	(119)
Trade payables and accruals (Note 25)	(456)	–	–	(456)
Co-development and earnout payment (Notes 27 and 30)	(2)	(3)	–	(5)
Acquired contingent liability (Notes 27 and 30)	(15)	(38)	(30)	(83)
Contingent consideration (Notes 27 and 30)	(12)	(49)	(27)	(88)
	(633)	(836)	(151)	(1,620)

The Group regularly monitors all cash, cash equivalents and debt to maintain liquidity needs. This is done by analysing debt headroom and expected cash flows. The Group seeks to be proactive in its liquidity management to avoid any adverse liquidity effect.

At 31 December 2022, the Group had undrawn facilities of $1,592 million (2021: $1,413 million). Of these facilities, $1,311 million (2021: $1,086 million) were committed long-term facilities.

30. Other non-current liabilities

	As at 31 December	
	2022 $m	2021 $m
Contingent consideration (Note 27 and 29)	**18**	58
Acquired contingent liability (Note 27)	**69**	68
Co-development and earnout payment (Notes 27 and 29)	**1**	2
Others	**4**	12
	92	140

Contingent consideration and acquired contingent liabilities represent contractual liabilities to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products. These liabilities were recognised as part of the Columbus business acquisition (see Note 29 for sensitivity analysis). The current portion of these liabilities are recognised in other current liabilities (Note 27).

31. Share capital

Issued and fully paid – included in shareholders' equity:

	Number	$m
31 December 2021 and 1 January 2022	**244,331,288**	**42**
Exercise of employees share scheme	1,237,467	–
Ordinary Shares purchased and cancelled	(12,499,670)	(2)
Issue of Ordinary Bonus Share	1	1,746
Cancellation of Ordinary Bonus Share	(1)	(1,746)
As at 31 December 2022	**233,069,085**	**40**

At 31 December 2022, of the issued share capital, 12,833,233 (2021: 12,833,233) are held as Treasury shares and 220,235,852 (2021: 231,498,055) shares are in free issue.

Bonus Share issuance and cancellation

As a result of the establishment of the Hikma Pharmaceuticals PLC (Company) as the ultimate parent company of Hikma Pharmaceuticals PLC Group, and the Company's acquisition of the Columbus business in 2016, a merger reserve of $1,746 million was recorded on the Company's balance sheet. This merger reserve did not form part of the Company's distributable reserves.

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

Share buyback programme

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

Treasury Shares

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

32. Non-controlling interests

	2022 $m	2021 $m
At 1 January	**14**	13
Share of profit/(losses)	**3**	(1)
Dividends paid	**(3)**	(1)
Acquisition of subsidiaries	**2**	–
Currency translation and hyperinflation movement	**(3)**	3
At 31 December	**13**	14

33. Right-of-use assets and lease liabilities

The carrying amounts of right-of-use assets recognised and the movements during the year:

	Buildings $m	Vehicles $m	Machinery and Equipment $m	Total $m
As at 1 January 2021	50	8	1	59
Additions	27	4	–	31
Lease buyout	(4)	–	–	(4)
Depreciation expense	(7)	(4)	(1)	(12)
As at 31 December 2021 and 1 January 2022	66	8	–	74
Additions	**4**	**1**	**–**	**5**
Adjustments[1]	**(9)**	**–**	**–**	**(9)**
Impairment	**(3)**	**–**	**–**	**(3)**
Depreciation expense	**(7)**	**(3)**	**–**	**(10)**
As at 31 December 2022	**51**	**6**	**–**	**57**

The carrying amounts of lease liabilities and the movements during the year:

	2022 $m	2021 $m
As at 1 January	**83**	82
Additions	**5**	32
Accretion of interest	**4**	5
Adjustments1	**(9)**	–
Settlements	**(13)**	(36)
As at 31 December	**70**	83
Current	**9**	9
Non-current	**61**	74

1. Adjustments arise from a change in the expected exercise of optional extension period

33. Right-of-use assets and lease liabilities continued

The maturity analysis of lease liabilities:

	2022 $m	2021 $m
Breakdown by maturity:		
Within one year	**9**	9
In the second year	**8**	7
In the third year	**7**	7
In the fourth year	**5**	6
In the fifth year	**3**	3
In the sixth year	**3**	2
Thereafter	**35**	49
	70	83

At 31 December 2022, lease liabilities included optional extension periods amounting to $17 million on a discounted basis (2021: $26 million).

The following are the amounts recognised in the consolidated income statement:

	2022 $m	2021 $m
Depreciation expense of right-of-use assets	**(10)**	(12)
Impairment of right-of-use assets	**(3)**	–
Interest expense on lease liabilities	**(4)**	(5)
Expense relating to short-term leases	**(2)**	(1)
Total amount recognised in the consolidated income statement	**(19)**	(18)

34. Cash generated from operating activities

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

35. Reconciliation of movement in net debt

	2022 $m	2021 $m
Interest-bearing loans and borrowings (Notes 24 and 28)		
Balance at 1 January	**763**	850
Proceeds from issue of long-term financial debts	**1,401**	10
Proceeds from issue of short-term financial debts	**380**	383
Repayment of long-term financial debts	**(962)**	(45)
Repayment of short-term financial debts	**(363)**	(431)
Amortisation of upfront fees	**2**	3
Foreign exchange translation movements	**(8)**	(7)
Balance at 31 December	**1,213**	763
Lease liabilities (Note 33)		
Balance at 1 January	**83**	82
New leases	**5**	32
Adjustments[1]	**(9)**	–
Repayment of lease liabilities	**(9)**	(31)
Balance at 31 December	**70**	83
Total debt	**1,283**	846
Cash and cash equivalents (Note 22)	**(270)**	(426)
Net debt	**1,013**	420

1. Adjustments arise from a change in the expected exercise of optional extension periods

36. Acquisitions

Custopharm Topco Holdings, Inc.

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

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

The net assets acquired in the transaction and the goodwill are provisional. The assets and liabilities recognised as a result of the acquisition are as follows:

	$m
Product related intangible assets (Note 16)	251
Property, plant and equipment (Note 17)	1
Inventories	34
Trade receivables, net of chargebacks and other allowances	31
Cash and cash equivalents	19
Trade and other payables	(6)
Other current liabilities	(9)
Deferred tax liabilities (Note 13)	(46)
Net identifiable assets acquired	275
Add: goodwill (Note 16)	119
Net assets acquired	394
Less: non-controlling interests	(2)
Total consideration	**392**
Satisfied by:	
Cash consideration	392
Less: Cash and cash equivalents acquired	(19)
Net cash outflow arising from acquisition	**373**

36. Acquisitions continued

The goodwill arising represents the synergies obtained by integrating Custopharm and its R&D capabilities, adding an experienced team with a proven ability to develop and commercialise complex sterile injectable products into the existing business and increasing the scale of the Injectables business. Goodwill is allocated to the Injectables CGU and is not deductible for tax purposes.

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

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

The fair value of acquired trade receivables is $31 million. The gross contractual amount for trade receivables due is $55 million. Chargebacks and other allowances are deducted from the gross amount to arrive at the trade receivables balance of $31 million.

The business was acquired on 21 April 2022 and contributed $53 million revenue, $26 million reported loss and $19 million core profit for the year (excluding $20 million amortisation and impairment of intangible assets, in addition to $25 million related to the unwinding of the inventory step-up). An $8 million impairment charge was recognised as a result of discontinuation of an IPR&D product. The decision to discontinue this product was made post acquisition due to the launch of an existing recently approved product (Note 6).

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

Teligent asset acquisition

On 2 February 2022, the Group completed the acquisition of the Canadian assets of Teligent Inc. (Teligent) and paid a cash consideration of $46 million.

The acquisition was assessed under the optional concentration test in IFRS 3 and was determined to be an asset acquisition, as substantially all the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets. The assets acquired are substantially concentrated in Intangible assets (product rights), with significantly the same risk characteristics, as they relate to mature products with similar profit margins and distribution channels (Note 16).

37. Contingent liabilities

Guarantees and letters of credit

A contingent liability existed at the balance sheet date in respect of external guarantees and letters of credit totalling $55 million (31 December 2021: $45 million) arising in the normal course of business. No provision for these liabilities has been made in these consolidated financial statements.

A contingent liability existed at the balance sheet date for standby letters of credit totalling $14 million (2021: $10 million) for potential stamp duty obligations that may arise from the repayment of loans by intercompany guarantors. It's not probable that any repayment will be made by the intercompany guarantors.

Legal proceedings

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

37. Contingent liabilities continued

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

- Starting in 2016, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchaser of generic drug products, as well as several individual direct purchasers opt-out plaintiffs. These complaints, which allege that the defendants engaged in conspiracies to fix, increase, maintain and/or stabilise the prices of the generic drug products named, have been brought against certain Group entities and various other defendants. The plaintiffs generally seek damages and injunctive relief under federal antitrust law and damages under various state laws. The Group denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defence of these cases. At this point, the Group does not believe sufficient evidence exists to make any provision.
- Starting in June 2020, several complaints have been filed in the United States on behalf of both individual plaintiffs and putative classes of direct and indirect purchasers of Xyrem® against certain Group entities and other defendants. Currently twelve such cases are assigned to multi-district litigation in the Northern District of California, and one case is in California state court. These complaints allege that Jazz Pharmaceuticals PLC and its subsidiaries entered into unlawful reverse payment agreements with each of the defendants, including Hikma, in settling patent infringement litigation over Xyrem®. The plaintiffs in these lawsuits seek treble damages and a permanent injunction. The Group denies having engaged in conduct that would give rise to liability with respect to these lawsuits and is vigorously pursuing defence of these cases. At this point, the Group does not believe sufficient evidence exists to make any provision.
- Numerous complaints have been filed against certain Group entities with respect to the manufacture of opioid products. Those complaints now total approximately 837 in number. These lawsuits have been filed against distributors, branded pharmaceuticals manufacturers, pharmacies, hospitals, generic pharmaceuticals manufacturers, individuals, and other defendants by a number of cities, counties, states, other governmental agencies and private plaintiffs in both state and federal courts. Seven cases have been filed in Canadian courts; two of these were settled or tentatively settled for a total of less than 200,000 US$ and five remain. Most of the federal cases have been consolidated into a multidistrict litigation (MDL) in the Northern District of Ohio. These cases assert in general that the defendants allegedly engaged in improper marketing and distribution of opioids and that defendants failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent the abuse and diversion of such products. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. From time to time, we also receive subpoenas or requests for information from government entities seeking information related to Hikma's sale, distribution, or manufacture of opioid products. The Group denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defence of these cases. Hikma is in the process of finalising a settlement with the State of New Mexico in litigation brought against Hikma and others in New Mexico state court. Hikma has also agreed to enter into mediation with representatives of the Plaintiffs' Executive Committee in the federal MDL. At this point, other than the amounts described above the Group does not believe sufficient evidence exists to make any provision.
- In November 2020, Amarin Pharmaceuticals filed a patent infringement lawsuit against certain Group entities in the United States District Court for the District of Delaware (No. 20-cv-1630) alleging that Hikma's sales and distribution of its generic icosapent ethyl product infringes three Amarin patents that describe certain methods of using icosapent ethyl. Amarin sought an injunction barring Hikma from selling its generic product as well as unspecified damages. Hikma's product is not approved for the patented methods but rather is approved only for a different indication not covered by any valid patents. In January 2022 the court dismissed the lawsuit, and Amarin has appealed the court's ruling. The Group denies the allegations and will vigorously defend against them if necessary. The Group does not believe sufficient evidence exists to make any provision.

38. Share-based payments

Executive incentive plan

The 2014 Executive Incentive Plan (EIP) was approved by shareholders at the 2014 Annual General Meeting. The EIP is a combined cash bonus (element A), deferred shares (element B) and restricted shares (element C) scheme. Under the EIP, the Company makes grants of conditional awards under elements B and C to the Executive Directors and senior executives of the Group. Awards under all elements are dependent on the achievement of individual and Group KPIs over one year prior to grant. The shares awarded under element B are not released for a period of two years during which they are subject to forfeiture conditions. The shares awarded under element C are not released for a period of three years but are not subject to a forfeiture condition. Members of the Executives Committee must retain 100% of the shares received from elements B and C for a period of five years from the date of grant.

The cost of the EIP of $13 million (2021: $20 million) has been recorded in the consolidated income statement as part of selling, general and administrative expenses and research and development expenses.

The fair value per share is the face value of shares on the date of grant less the present value of dividends expected to be paid during the vesting period. Valuation is based on the Black-Scholes methodology for nil-cost options.

The weighted average share price for 2022 is $20.19 (2021: $32.60).

Details of the outstanding grants under this plan are shown below:

	2022 grants 25 Feb	2022 grants 25 Feb	2021 grants 25 Feb	2021 grants 25 Feb	2020 grants 27 Feb	2020 grants 27 Feb	2019 grants 12 March	2018 grants 16 May	2017 grants 13 Apr	2016 grants 11 May	2016 grants 17 March	2015 grants 10 April	Total Number
Year 2022													
Beginning balance	–	–	157,644	423,728	184,355	511,453	280,529	14,211	50,107	13,171	51,350	12,012	1,698,560
Granted during the year	176,937	524,858	–	–	–	–	–	–	–	–	–	–	701,795
Exercised during the year	(13,423)	(31,389)	(12,130)	(25,899)	(13,060)	(510,815)	(280,529)	–	(6,920)	–	–	–	(894,165)
Forfeited during the year	(37,375)	(71,521)	(36,410)	(63,745)	(37,257)	(638)	–	–	–	–	–	–	(246,946)
Outstanding at 31 December	**126,139**	**421,948**	**109,104**	**334,084**	**134,038**	**–**	**–**	**14,211**	**43,187**	**13,171**	**51,350**	**12,012**	**1,259,244**
Exercisable at 31 December	–	5,502	–	4,756	–	–	–	14,211	43,187	13,171	51,350	12,012	144,189
Weighted average remaining contractual life (years)	2.16	1.15	1.15	0.15	0.16	–	–	5.38	4.36	3.36	3.21	2.28	1.16
Year 2021													
Beginning balance			–	–	184,355	550,745	280,529	140,484	50,107	13,171	51,350	12,012	1,812,875
Granted during the year			157,644	432,098	–	–	–	–	–	–	–	–	589,742
Exercised during the year			–	–	–	(16,496)	–	(126,273)	–	–	–	–	(661,520)
Forfeited during the year			–	(8,370)	–	(22,796)	–	–	–	–	–	–	(42,537)
Outstanding at 31 December			**157,644**	**423,728**	**184,355**	**511,453**	**280,529**	**14,211**	**50,107**	**13,171**	**51,350**	**12,012**	**1,698,560**
Exercisable at 31 December			–	–	–	–	–	14,211	50,107	13,171	51,350	12,012	140,851
Weighted average remaining contractual life (years)			2.15	1.15	1.16	0.16	0.19	6.38	5.36	4.36	4.21	3.28	0.56
Fair value of each share $	25.00	25.38	31.71	32.17	23.70	24.10	20.63	18.45	23.52	31.69	26.21	32.78	
The share price at grant date $	26.14	26.14	33.09	33.09	24.91	24.91	21.75	19.09	23.98	32.15	26.98	33.24	
Expected dividends yield %	1.50%	1.50%	1.43%	1.43%	1.67%	1.67%	1.79%	1.71%	0.97%	0.73%	0.71%	0.81%	

Management incentive plan

The 2009 Management Incentive Plan (MIP) was approved by shareholders at the 2010 Annual General Meeting and the 2018 MIP was approved by shareholders at the 2018 Annual General Meeting. Under the MIP, the Company makes grants of conditional awards to management across the Group below senior management level. Awards are dependent on the achievement of individual and Group KPIs over one year and are then subject to a two-year holding period.

The cost of the MIP of $9 million (2021: $9 million) has been recorded in the consolidated income statement as part of selling, general and administrative expenses, cost of sales and research and development expenses.

The fair value per share is the face value of shares on the date of grant less the present value of dividends expected to be paid during the vesting period. Valuation is based on the Black-Scholes methodology for nil-cost options.

The weighted average share price for 2022 is $20.19 (2021: $32.60).

Details of the outstanding grants under this plan are shown below:

	2022 grants 25 Feb	2021 grants 25 Feb	2020 grants 27 Feb	2019 grants 17 May	2018 grants 16 May	2017 grants 19 May	2016 grants 11 May	2015 grants 14 May	2014 grants 11 June	2013 grants 17 May	Total Number
Year 2022											
Outstanding at 1 January	–	337,487	358,249	–	13,198	35,884	6,690	7,645	5,890	1,688	766,731
Granted during the year	396,630	–	–	–	–	–	–	–	–	–	396,630
Exercised during the year	(5,647)	(14,815)	(322,540)	–	(300)	–	–	–	–	–	(343,302)
Expired during the year	(43,188)	(32,022)	(35,709)	–	–	–	–	–	–	–	(110,919)
Outstanding at 31 December	**347,795**	**290,650**	**–**	**–**	**12,898**	**35,884**	**6,690**	**7,645**	**5,890**	**1,688**	**709,140**
Exercisable at 31 December	3,725	12,698	–	–	12,898	35,884	6,690	7,645	5,890	1,688	87,118
Weighted average remaining contractual life (years)	1.15	0.15	–	–	5.38	4.38	3.36	2.37	1.45	0.38	1.03
Year 2021											
Outstanding at 1 January		–	377,913	394,263	17,445	36,990	8,254	8,854	5,890	3,013	852,622
Granted during the year		341,422	–	–	–	–	–	–	–	–	341,422
Exercised during the year		(1,376)	(4,118)	(363,799)	(3,922)	(1,106)	(1,564)	(1,209)	–	(1,325)	(378,419)
Expired during the year		(2,559)	(15,546)	(30,464)	(325)	–	–	–	–	–	(48,894)
Outstanding at 31 December		**337,487**	**358,249**	**-**	**13,198**	**35,884**	**6,690**	**7,645**	**5,890**	**1,688**	**766,731**
Exercisable at 31 December		–	–	–	13,198	35,884	6,690	7,645	5,890	1,688	70,995
Weighted average remaining contractual life (years)		1.15	0.16	–	6.38	5.38	4.36	3.37	2.45	1.38	1.04
Fair value of each share $	25.38	32.17	24.10	21.41	18.45	22.09	31.73	32.17	27.73	14.61	
The share price at grant date $	26.14	33.09	24.91	22.18	19.09	22.54	32.20	32.63	28.33	14.93	
Expected dividends yield %	1.50	1.43	1.67	1.79	1.71	1.01	0.73	0.71	0.71	1.10	

39. Related parties

Transactions between Hikma Pharmaceuticals PLC (Hikma) and its subsidiaries (together, the Group) have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its joint venture and other related parties are disclosed below.

Trading transactions:

During the year ended 31 December 2022, the Group entered into the following transactions with related parties:

Darhold Limited (Darhold): is a related party of Hikma because three Directors of Hikma jointly constitute the majority of Directors and shareholders (with immediate family members) in Darhold and because Darhold owns 25.74% (2021: 24.56%) of the share capital and 27.24% (2021: 25.92%) of the voting capital of Hikma. Other than dividends (as paid to all shareholders), there were no transactions between the Group and Darhold Limited during the year.

Hubei Haosun Pharmaceutical Co., Ltd.: is a related party of Hikma because the Group holds a non-controlling interest of 49% in the joint venture (JV) with Haosun (2021: 49%). During the year, total direct purchases from Haosun were $0.6 million (2021: $nil). At 31 December 2022, the amount owed from the Group to Haosun amounted to $0.2 million (2021: $nil). In addition, in certain countries the Group purchases from Haosun indirectly. During the year total indirect purchases from Haosun were $1.1 million (2021: $0.7 million).

Labatec Pharma (Labatec): is a related party of the Group because Labatec is owned by the family of two Directors of Hikma. During the year, total Group sales to Labatec amounted to $2 million (2021: $2 million), and total Group purchases amounted to $1 million (2021: $0.5 million). At 31 December 2022, the amount owed by Labatec to the Group was $0.4 million (2021: $0.6 million).

Remuneration of key management personnel

The remuneration of the key management personnel (comprising the Executive Directors, Non-Executive Directors and the senior management as set out in the Governance report) of the Group is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of the individual Directors is provided in the audited part of the Remuneration Committee report on pages 95 to 124.

	2022 $m	2021 $m
Short-term employee benefits	**13.3**	18.0
Share-based payments	**7.2**	12.9
Post-employment benefits	**–**	0.1
Other benefits	**0.5**	0.6
	21.0	31.6

40. Subsidiaries and joint ventures

The subsidiaries and joint venture of Hikma Pharmaceuticals PLC are as follows:

			Owned by the Group	
			Ownership % Ordinary Shares At 31 December	Ownership% Ordinary Shares At 31 December
Company's name	**Incorporated in**	**Address of the registered office**	**2022**	2021
Al Jazeera Pharmaceutical Industry S.A.R.L	Algeria	Zone d'Activité, Propriété N° 379 Section N° 04 Staoueli, Algeria	99%	99%
Algerie Industrie Mediterraneene Du Medicament S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	97%	97%
Hikma Pharma Algeria S.A.R.L.	Algeria	Zone d'Activité 16/15 Staoueli, Algeria	100%	100%
SPA Al Dar Al Arabia pour la Fabrication de Médicaments	Algeria	Zone d'Activité El Boustane N° 78, Sidi Abdellah, Al Rahmania, Algeria	100%	100%
Hubei Haosun Pharmaceutical Co., Ltd.[1]	China	No 20 Juxian Road, Gedian Economic and Technology Development Area, Hubei, China	49%	49%
Hikma Canada Limited	Canada	Blaney McMurtry LLP, Suite 15000 2 Queen Street, Toronto ON M5C 3G5	100%	100%
Hikma Pharma S.A.E	Egypt	12 El-Esraa Street, El-Mohandeseen, Lebanon Square, Giza, Egypt	100%	100%
Hikma Pharmaceuticals Industries S.A.E	Egypt	16 Ahmed Hosny Street, First Zone, Naser City, Cairo, Egypt	100%	100%
Hikma Specialised Pharmaceuticals (S.A.E)	Egypt	10 D, 11 D, Industrial Zone, Badr City, Cairo, Egypt	98%	98%
Hikma for Importation Co. LLC	Egypt	16 Ahmed Hosny Street, First Zone, Naser City, Cairo, Egypt	99%	99%
Hikma Pharma GmbH	Germany	Lochhamer Strasse 13, 82152, Martinsried, Germany	100%	100%
Thymoorgan Pharmazie GmbH	Germany	Schiffgraben 23, DE-38690, Goslar, OT Vienenburg, Germany	100%	100%
Hikma Italia S.p.A	Italy	Viale Certosa 10, 27100, Pavia, Italy	100%	100%
Hikma Pharma Limited*[2]	Jersey	47 Esplanade, St Helier, JE1 0BD, Jersey	100%	100%
Arab Medical Containers LLC	Jordan	P.O. Box 80, Sahab Industrial Estate, 11512, Jordan	100%	100%
Arab Pharmaceutical Manufacturing PSC	Jordan	Al Buhaira – Salt, P.O. Box 42, Jordan	100%	100%
Hikma International Pharmaceuticals LLC (Exempt)	Jordan	122 Queen Zain AlSharaf Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%
Hikma International Ventures and Development LLC (Exempt)	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Investment LLC*	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Pharmaceuticals LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Pharmaceuticals LLC (Jordan) (FREE ZONE)	Jordan	Al-Mushatta – Al Qastal Free Zone P.O. Box 182400 11118 Amman, Jordan	100%	100%
International Pharmaceutical Research Centre LLC	Jordan	P.O. Box 963166, Amman, 11196, Jordan	51%	51%
Sofia Travel and Tourism	Jordan	Mustafa Semreen Complex Building No. 29, Jamal Qaytoqa Street, Bayader Wadi Al-Seer, Amman, Jordan	100%	100%
Specialised for Pharmaceutical Industries LLC	Jordan	Bayader Wadi Al-Seer, Industrial Area, Saleem Bin Al-Hareth Street, Building 21, P.O. Box 182400, Amman, 11118, Jordan	100%	100%
Hikma Pharmaceuticals Co. Ltd., Almaty (Kazakhtan) Representative Office	Kazakhstan	Apt. 1, House 7, Building-28, 'Kereme' Microdistrict, Bostandykskiy District, Almaty,A15C8X2, Kazakhstan	–	100%
Al Jazeera Pharmaceutical Industries Ltd	KSA	P.O. Box 106229 11666 Riyadh, Saudi Arabia	100%	100%
Hikma Liban S.A.R.L.	Lebanon	Saria Building, Ground Floor, Embassies Street, Bir Hassan, Beirut, Lebanon	–	67%
Société de Promotion Pharmaceutique du Maghreb (Promopharm S.A.)	Morocco	Zone Industrielle du Sahel, Rue N. 7, Had Soualem, Province de Settat, Morocco	94%	94%
Hikma Pharma Benelux B.V	Netherlands	Nieuwe Steen 36, 1625 HV, Hoorn, Netherlands	100%	100%

40. Subsidiaries and joint ventures continued

Company's name	Incorporated in	Address of the registered office	Owned by the Group **Ownership % Ordinary Shares At 31 December 2022**	Ownership% Ordinary Shares At 31 December 2021
Hikma Farmaceutica, (Portugal) S.A	Portugal	Estrada Rio Da Mo no.8, 8a, 8B-Fervenca, 2705-906, Terugem SNT, Portugal	100%	100%
Lifotec Farmaceutica S.G.P.S S.A*	Portugal	Estrada Nacional 9, Fervença, São João das Lampas e Terrugem, Sintra, Portugal	100%	100%
Hikma Care for Medicines and Medical Supplies Company	Palestine	West Bank Al Birah, Ramallah	51%	51%
Hikma Pharmaceuticals	Palestine	West Bank Al Birah, Ramallah	100%	100%
Hikma Slovakia s.r.o	Slovakia	Seberíniho 1 821 03 Bratislava, Slovakia	100%	100%
Hikma Espana S.L	Spain	CALLE MALDONADO, 4 – BJ D 28006, MADRID Spain	100%	100%
Pharma Ixir Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	51%	51%
Savannah Pharmaceutical Industries Co. Ltd	Sudan	Riyad Area, Obied Khatim Street, P.O. Box 10461, Block No. 21, House No. 420, Khartoum, Sudan	100%	100%
Eurohealth International S.A.R.L.[2]	Switzerland	Rue des Battoirs 7, 1205 Genève, Switzerland	100%	100%
APM Tunisie S.A.R.L.	Tunisia	Impasse N°4-Energie Solaire, Zone Industrielle La Charguia 1, Tunis-Carthage, 2035, Tunisia	99%	99%
STE D'Industrie Pharmaceutique Ibn Al Baytar*[3]	Tunisia	11 Rue 8610 Charguia 1-2035 Tunis-Carthage, Tunisia	100%	100%
STE Medicef	Tunisia	Avenue Habib Bourguiba, Sidi Thabet, 2020 Ariana, Tunisia	100%	100%
Hikma Emerging Markets and Asia Pacific FZ-LLC	United Arab Emirates	Premises 202-204, Floor 2, Building 26, Dubai, United Arab Emirates	100%	100%
Hikma International Trading Limited2	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%
Hikma MENA FZE*[2]	United Arab Emirates	The Oberoi Centre, Level 15, Business Bay, P.O. Box 36282, Dubai, United Arab Emirates	100%	100%
Hikma UK Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Ventures Limited[2]	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
West-Ward Holdings Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Pharmaceuticals International Limited*	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Hikma Intelligence Limited	United Kingdom	1 New Burlington Place, London, W1S 2HR, United Kingdom	100%	100%
Eurohealth (U.S.A.) Inc	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma Speciality USA, Inc.	United States	1900 Arlingate Lane, Columbus, Ohio 43228	100%	100%
Hikma Labs Inc.	United States	1809 Wilson Road, Columbus, Ohio 43228	100%	100%
West-Ward Columbus Inc.	United States	1809 Wilson Road, Columbus, Ohio 43228	100%	100%
Hikma Injectables USA, Inc.	United States	36 Stults Road, Dayton, New Jersey 08810	100%	100%
Hikma Pharmaceuticals USA Inc.	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma Finance USA LLC	United States	200 Connell Drive, 4th Floor Berkeley Heights, NJ 07922	100%	100%
Hikma France	France	Tour Cb21 16 Place de l'Iris, Courbevoie 92400	100%	100%
Hikma Cali Inc. (Delaware)	United States	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	–	100%
TACCA, LLC	United States	1902 Wright Place, Carlsbad, California 92008	90%	–
Pytrione LLC	United States	1902 Wright Place, Carlsbad, California 92011	84%	–
Hikma Services India Private Limited	India	502/503, Matharu Arcade, Subhash Road Vile Parle East, Mumbai, Maharashtra – 4000 57	100%	–

1. The investments in joint ventures are accounted for using the equity method (Note 18)
2. Owned by PLC 'the Company'
3. In 2021, STE Hikma Pharma Tunisie was merged into STE D'Industrie Pharmaceutique Ibn Al Baytar

The investments in subsidiaries are all stated at cost in Hikma Pharmaceuticals PLC and are consolidated in line with IFRS 10.

The Group's subsidiaries principally operate in trading pharmaceuticals products and associated goods and services, except for Sofia Travel and Tourism subsidiary which coordinates employees travel arrangements.

Companies marked (*) were incorporated as holding companies.

41. Defined contribution retirement benefit plan

The Group has defined contribution retirement plans in four of its subsidiaries: Hikma Pharmaceuticals PLC – United Kingdom, Hikma Pharmaceuticals Limited (Jordan), Arab Pharmaceutical Manufacturing PSC and Hikma Pharmaceuticals USA Inc. The details of each contribution plan are as follows:

Hikma Pharmaceuticals PLC

Hikma Pharmaceuticals PLC currently has a defined contribution pension plan available for staff working in the United Kingdom whereby Hikma Pharmaceuticals PLC contributes 10% of basic salary. Employees are immediately entitled to 100% of the contributions. Hikma Pharmaceuticals PLC contributions for the year ended 31 December 2022 were $0.3 million (2021: $0.3 million).

Hikma Pharmaceuticals LLC

Hikma Pharmaceuticals LLC currently has an employee savings plan whereby Hikma Pharmaceuticals LLC fully matches employees' contributions, which are fixed at 10% of basic salary. Employees are entitled to 100% of Hikma Pharmaceuticals LLC contributions after three years of employment with the Company. Hikma Pharmaceuticals LLC contributions for the year ended 31 December 2022 were $3.4 million (2021: $3.2 million).

Arab Pharmaceutical Manufacturing PSC

Arab Pharmaceuticals Manufacturing PSC currently has an employee savings plan whereby Arab Pharmaceuticals Manufacturing PSC fully matches employees' contributions, which are fixed at 10% of basic salary. Employees are entitled to 100% of Arab Pharmaceuticals Manufacturing PSC contributions after three years of employment with the Company. Arab Pharmaceuticals Manufacturing PSC contributions for the year ended 31 December 2022 were $0.5 million (2021: $0.5 million).

Hikma Pharmaceuticals USA Inc.: (401 (k) Retirement Plan)

Hikma Pharmaceuticals USA Inc. has a 401(k)-defined contribution plan, which allows all eligible employees to defer a portion of their income through contributions to the plan. Eligible employees can begin contributing to the plan after being employed for 90 days. Employees can defer up to 95% of their eligible income into the plan, not to exceed $20,500 (2021: $19,500), not including catch-up contributions available to eligible employees as outlined by the Internal Revenue Service. The company matches the employees' eligible contribution dollar-for-dollar on the first 6% of eligible pay contributed to the plan. Employer contributions vest 50% after two years of service and 100% after three years of service. Employees are considered to have completed one year of service for the purposes of vesting upon the completion of 1,000 hours of service at any time during a plan year. Employer contributions to the plan for the year ended 31 December 2022 were $9 million (2021: $10 million). The assets of this plan are held separately from those of the Group. The only obligation of the Group with respect to this plan is to make specified contributions.

Company balance sheet

At 31 December 2022

	Note	2022 $m	2021 $m
Non-current assets			
Property, plant and equipment		**1**	1
Right-of-use assets		**5**	7
Intangible assets	3	**14**	15
Investments in subsidiaries	4	**3,296**	3,288
Due from subsidiaries	5	**82**	34
Financial and other non-current assets		**4**	–
		3,402	3,345
Current assets			
Trade and other receivables	6	**358**	10
Due from subsidiaries	5	**82**	88
Cash and cash equivalents	7	**64**	222
Other current assets	8	**29**	28
		533	348
Total assets		**3,935**	3,693
Current liabilities			
Other payables		**2**	2
Due to subsidiaries	9	**21**	18
Short-term financial debts	10	**39**	21
Lease liabilities		**2**	–
Other current liabilities		**15**	12
		79	53
Net current assets		**454**	295
Non-current liabilities			
Long-term financial debts	10	**465**	105
Lease liabilities		**5**	9
		470	114
Total liabilities		**549**	167
Net assets		**3,386**	3,526
Equity			
Share capital	12	**40**	42
Share premium		**282**	282
Other reserves		**2**	1,746
Profit for the year	13	**266**	150
Retained earnings		**2,796**	1,306
Equity shareholders' funds		**3,386**	3,526

The financial statements of Hikma Pharmaceuticals PLC, registered number 5557934, on pages 193 to 199 were approved by the Board of Directors on 22 February 2023 and signed on its behalf by:

Said Darwazah
Executive Chairman and CEO
22 February 2023

Mazen Darwazah
Executive Vice Chairman

Company statement of changes in equity

For the year ended 31 December 2022

	Share capital $m	Share premium $m	Capital redemption reserve $m	Merger reserve $m	Total other reserves $m	Retained earnings $m	Total $m
Balance at 1 January 2021	41	282	–	1,746	**1,746**	1,398	**3,467**
Profit for the year	–	–	–	–	**–**	150	**150**
Total comprehensive income for the year	–	–	–	–	**–**	150	**150**
Cost of equity settled employee share scheme	–	–	–	–	**–**	29	**29**
Exercise of employees share scheme	1	–	–	–	**–**	(1)	**–**
Dividends paid	–	–	–	–	**–**	(120)	**(120)**
Balance at 31 December 2021 and 1 January 2022	42	282	–	1,746	**1,746**	1,456	**3,526**
Profit for the year	–	–	–	–	**–**	266	**266**
Total comprehensive income for the year	–	–	–	–	**–**	266	**266**
Cost of equity settled employee share scheme	–	–	–	–	**–**	22	**22**
Dividends paid	–	–	–	–	**–**	(125)	**(125)**
Ordinary Shares purchased and cancelled	(2)	–	2	–	**2**	(300)	**(300)**
Share buyback transaction costs	–	–	–	–	**–**	(3)	**(3)**
Issue of Ordinary Bonus Share	1,746	–	–	(1,746)	**(1,746)**	–	**–**
Cancellation of Ordinary Bonus Share	(1,746)	–	–	–	**–**	1,746	**–**
Balance at 31 December 2022	**40**	**282**	**2**	**–**	**2**	**3,062**	**3,386**

At 31 December 2022, the Company had retained earnings available for distribution in excess of $2,040 million (2021: $320 million), which is determined with reference to the Companies Act 2006 and to the guidance issued by the Institute of Chartered Accountants in England and Wales in 2017. The increase in the distributable reserve during the year resulted from the capitalisation of the merger reserve and the issuance of a Bonus Share with a $1,746 million nominal value which was subsequently cancelled through a capital reduction, creating $1,746 million of distributable reserves to the Company (see Note 12).

For the proposed final dividend for the year ended 31 December 2022, see Note 14 to the Group consolidated financial statements.

Notes to the Company financial statements

For the year ended 31 December 2022

1. Adoption of new and revised standards

The nature of the impact on the Company of new and revised standards is the same as for the Group. Details are given in Note 1 to the Group consolidated financial statements.

2. Significant accounting policies

Basis of accounting

These financial statements, for the year ended 31 December 2022 have been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the following exemptions from the requirements of IFRS as below:

- Paragraph 10(d) of IAS 1 'Presentation of Financial Statements' (statement of cash flows)
- Paragraph 16 of IAS 1 'Presentation of Financial Statements' (statement of compliance with all IFRS)
- Paragraph 38A of IAS 1 'Presentation of Financial Statements' (requirements for minimal of two primary statements, including cash flow statements)
- Paragraph 45B and 46 to 52 of IFRS 2 'Share-based Payment'
- Paragraph 111 of IAS 1 'Presentation of Financial Statements' (cash flow statement information)
- IFRS 7 financial instruments disclosure
- Paragraph 17 of IAS 24 'Related Parties Disclosures'
- Paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- IAS 7 'Statement of cash flows'

No individual profit and loss account is prepared as provided by section 408 of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 2 to the Group consolidated financial statements with the addition of the policies noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment. The carrying value of investments is reviewed for impairment when there is an indication that the investment might be impaired. Any provision resulting from an impairment review is charged to the Company profit and loss. Testing for impairment requires making estimates for the valuation of the investments.

Trade receivables acquired from subsidiaries through an intercompany factoring arrangement and intercompany receivables are classified as financial assets at amortised cost, and are measured at amortised cost using the effective interest method less any expected credit loss. The Company applies a general approach in calculating expected credit loss. At the reporting date, all outstanding balances were considered to have low credit risk, therefore, the general approach using a 12-month probability of default was applied when assessing expected credit loss on a 12-month period basis.

Equity-settled employee share schemes are accounted for in accordance with IFRS 2 'Share based payment'. The current charge relating to the subsidiaries' employees is recharged to subsidiary companies.

There are no critical judgements and estimates involved in applying the above accounting policies, that may have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Intangible assets

	Software $m
Cost	
Balance at 1 January 2021	40
Additions	3
Write-down	(5)
Disposals[1]	(7)
Balance at 1 January 2022	**31**
Balance at 31 December 2022	**31**
Accumulated amortisation and impairment	
Balance at 1 January 2021	(13)
Charge for the year	(3)
Balance at 1 January 2022	**(16)**
Charge for the year	(1)
Balance at 31 December 2022	**(17)**
Carrying amount	
At 31 December 2022	**14**
At 31 December 2021	15

1. Disposals represent software sold to subsidiaries

Details of useful lives are included in Note 16 to the Group consolidated financial statements.

4. Investments in subsidiaries

The details of Investment in subsidiaries are mentioned in Note 40 to the Group consolidated financial statements.

The following table provides the movement of the investments in subsidiaries:

	2022 $m	2021 $m
Beginning balance	**3,288**	3,332
Additions to subsidiaries	**8**	2,179
Liquidation of subsidiaries	**–**	(2,223)
Ending balance	**3,296**	3,288

The movement in prior year represented reorganisation of the Group structure through transfer/liquidation of certain holding companies, specifically liquidation of Hikma Acquisitions (UK) Limited and addition of Hikma UK Limited.

5. Due from subsidiaries

Non-current

	As at 31 December	
	2022 $m	2021 $m
Hikma UK Limited	**47**	–
Hikma MENA FZE	**22**	–
Hikma Pharmaceuticals LLC	**13**	30
Hikma Emerging Markets and Asia Pacific FZ-LLC	**4**	4
Less: provision for expected credit loss	**(4)**	–
	82	34

Current

	As at 31 December	
	2022 $m	2021 $m
Hikma Pharmaceuticals USA Inc.	**55**	51
Al Jazeera Pharmaceuticals Industries JPI	**13**	8
Hikma Emerging Markets and Asia Pacific FZ-LLC	**7**	7
Hikma MENA FZE	**3**	10
Arab Pharmaceutical Manufacturing PSC	**3**	–
Hikma Pharma S.A.E	**1**	2
Société de Promotion Pharmaceutique du Maghreb (Promopharm S.A.)	**1**	2
Others	**6**	8
Less: provision for expected credit loss	**(7)**	–
	82	88

6. Trade and other receivables

	2022 $m	2021 $m
Trade and other receivables	**358**	10

During the year, trade and other receivables balance increased due to receivables acquired from the US subsidiary, Hikma Pharmaceuticals USA Inc., through an intercompany factoring arrangement that came into effect on January 1, 2022. The credit risk associated with these acquired receivables is similar to that of the Group's US receivables since it relates to the same credit portfolio and customers.

7. Cash and cash equivalents

	As at 31 December	
	2022 $m	2021 $m
Cash at banks and on hand	**9**	15
Time deposits	**55**	207
	64	222

Cash and cash equivalents include highly liquid investments with maturities of three month or less which are convertible to known amounts of cash and are subject to insignificant risk of changes in value.

8. Other current assets

	As at 31 December	
	2022 $m	2021 $m
Investments at FVTPL	**22**	24
Prepayments	**6**	4
Revolving credit facility upfront fees	**1**	–
	29	28

Investment at FVTPL: represents the agreement the Group entered into with an asset management firm in 2015 to manage a $20 million portfolio of underlying debt instruments. The investment comprises a portfolio of assets that are managed by an asset manager and is measured at fair value; any changes in fair value go through the income statement. These assets are classified as level 1 valuation as they are based on quoted prices in active markets (See Note 29 to the Group consolidated financial statements).

9. Due to subsidiaries

Current

	As at 31 December	
	2022 $m	2021 $m
Hikma Pharmaceuticals LLC	**14**	10
Hikma Farmaceutica, (Portugal) S.A	**4**	5
Other	**3**	3
	21	18

10. Financial debts

Financial debts include:

a) $1,150 million syndicated revolving credit facility that matures on 4 January 2027 with two extension options of one year each, one of the extension options was exercised in January 2023 which increased the maturity until January 2028. At 31 December 2022, the facility had an outstanding balance of $278 million (2021: $nil) and an unutilised amount of $872 million (2021: $870 million). This facility is available in two tranches: one tranche of $760 million for Hikma Pharmaceuticals PLC, of which $210 million was utilised (2021: $nil), and a second tranche of $390 million for Hikma Finance USA LLC, of which $68 million was utilised (2021: $nil). This facility can be used for general corporate purposes

b) $108 million outstanding balance at 31 December 2022 (fair value of $98 million) related to a ten-year $150 million loan from the International Finance Corporation that has been fully utilised since April 2020. Quarterly equal repayments of the loan commenced on 15 March 2021. The loan was used for general corporate purposes. The facility matures on 15 December 2027

c) An eight-year $200 million loan facility from the International Finance Corporation and Managed Co-lending Portfolio program. There was no utilisation of the loan as of 31 December 2022. The facility matures on 15 September 2028 and can be used for general corporate purposes

d) A five-year $400 million syndicated loan facility entered into on 13 October 2022. The facility is partially utilised, with an outstanding balance at 31 December 2022 of $190 million (fair value of $190 million) and an unutilised amount of $210 million. This facility is available in two tranches: one tranche of $250 million for Hikma Pharmaceuticals PLC, of which $190 million was utilised (2021: $nil), and a second unutilised tranche of $150 million for Hikma Finance USA LLC. The facility matures on 13 October 2028 and can be used for general corporate purposes

The weighted average interest rates incurred by the Group are disclosed in Notes 24 and 28 to the of the Group consolidated financial statements.

During 2022, the Company completed the transitioning of most of its USD Libor loans to Term SOFR. As at 31 December 2022, $nil million (2021: $nil million) of the Company's utilised debt portfolio as well as $5 million (2021: $1,080 million) of the Company's unutilised debt facilities have USD LIBOR as the benchmark interest rate.

11. Staff costs

Hikma Pharmaceuticals PLC currently has an average of 30 employees (2021: 35 employees) (excluding Executive Directors); total compensation paid to them amounted to $7 million (2021: $10 million), of which salaries and bonuses were $5 million (2021: $7 million), the remaining balance of $2 million (2021: $3 million) mainly represents national insurance contributions and other employee benefits.

12. Share capital

Issued and fully paid – included in shareholders' equity:

	Number	$m
31 December 2021 and 1 January 2022	**244,331,288**	**42**
Exercise of employees share scheme	1,237,467	–
Ordinary Shares purchased and cancelled	(12,499,670)	(2)
Issue of Ordinary Bonus Share	1	1,746
Cancellation of Ordinary Bonus Share	(1)	(1,746)
As at 31 December 2022	**233,069,085**	**40**

At 31 December 2022, of the issued share capital, 12,833,233 (2021: 12,833,233) are held as Treasury shares and 220,235,852 (2021: 231,498,055) shares are in free issue. See Note 31 to the Group consolidated financial statements.

Bonus Share issuance and cancellation

As a result of the establishment of the Hikma Pharmaceuticals PLC (Company) as the ultimate parent company of the Hikma Pharmaceuticals PLC Group, and the Company's acquisition of Columbus business in 2016, a merger reserve of $1,746 million was recorded on the Company's balance sheet. This merger reserve did not form part of the Company's distributable reserves.

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

Share buyback programme

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

13. Profit for the year

The net profit in the Company for the year is $266 million. Included in the net profit for the year is dividend income of $276 million. The remaining income statement components largely represent general and administrative expenses and net financing expenses. Audit fees for the Company are disclosed in Note 7 to the Group consolidated financial statements.

The net profit in the Company for the prior year was $150 million. Included in the net profit was an amount of $2,401 million dividends income offset by $2,223 million write-off of investments in subsidiaries mainly as a result of the reorganisation of the Group structure (Note 4). The remaining income statement components largely represented general and administrative expenses and net financing expenses.

14. Contingent liabilities

A contingent liability existed at the balance sheet date for standby letters of credit totalling $14 million (2021: $10 million) for potential stamp duty obligations that may arise from the repayment of loans by intercompany guarantors. It's not probable that any repayment will be made by the intercompany guarantors.

In addition, the Company guaranteed Hikma Finance USA LLC $500 million, 3.25%, five-year Eurobond issued in July 2020 (Note 28 to the Group consolidated financial statements). The Company has also guaranteed Hikma Pharmaceuticals USA Inc. contingent consideration related to the Columbus business acquisition (Note 27 and 30 to the Group consolidated financial statements). It's not probable that any of the guaranteed entities will default on the guaranteed obligations.

Shareholder information

2023 financial calendar

23 March	2022 final dividend ex-dividend date
24 March	2022 final dividend record date
28 April	Annual General Meeting
5 May	2022 final dividend paid to shareholders
3 August*	2023 interim results and interim dividend announced
10 August*	2023 interim dividend ex-dividend date
11 August*	2023 interim dividend record date
15 September*	2023 interim dividend paid to shareholders

* Provisional dates

Shareholding enquiries

Enquiries or information concerning existing shareholdings should be directed to Hikma's registrars, Link Registrars either:

- in writing to Shareholder Services, Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL
- by telephone from within the UK on 0371 664 0300
- by telephone from outside the UK on +44 371 664 0300 or
- by email – shareholderenquiries@linkgroup.co.uk

Dividend payments – currency

Hikma declares dividends in US dollars. Unless you have elected otherwise, you will receive your dividend in US dollars. Shareholders can opt to receive the dividend in pound sterling or Jordanian dinar. The Registrar retains records of the dividend currency for each shareholder and only changes them at the shareholder's request. If you wish to change the currency in which you receive your dividend please contact the Registrars.

Dividend payments – bank transfer

Shareholders who currently receive their dividend by cheque can request a dividend mandate form from the Registrar and have their dividend paid direct into their bank account on the same day as the dividend is paid. The tax voucher is sent direct to the shareholder's registered address.

Dividend payments – international payment system

If you are an overseas shareholder, the Registrar is now able to pay dividends in several foreign currencies for an administrative charge of £5.00, which is deducted from the payment. Contact the Registrar for further information.

Website

Press releases, the share price and other information on the Group are available on Hikma's website **www.hikma.com**.

Share listings

London Stock Exchange
Hikma's Ordinary Shares of 10 pence each (Shares) are admitted to the Official List of the London Stock Exchange. They are listed under EPIC – HIK, SEDOL – B0LCW08 GB and ISIN – GB00B0LCW083.

Further information on this market, its trading systems and current trading in Hikma's shares can be found on the London Stock Exchange website **www.londonstockexchange.com**.

Global Depository Receipts
Hikma also has listed Global Depository Receipts (GDRs) on the Nasdaq Dubai. They are listed under EPIC – HIK and ISIN – US4312882081. Further information on the Nasdaq Dubai, its trading systems and current trading in Hikma's GDRs can be found on the website **www.nasdaqdubai.com**.

American Depository Receipts (ADRs)
Hikma has an ADR programme for which BNY Mellon acts as Depository. One ADR equates to two shares. ADRs are traded as a Level 1 (OTC) programme under the symbol HKMPY. Enquiries should be made to:

BNY Mellon Shareowner Services
PO Box 43006
Providence RI 02940-3078

Overnight Correspondence:
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150 Royall St., Suite 101
Canton, MA 02021
Tel: +1 201 680 6825 (international)
Tel: +1 888-269-2377 (toll-free within the US)
E-mail: shrrelations@cpushareownerservices.com
www.mybnymdr.com

Shareholder fraud
The Financial Conduct Authority has issued a number of warnings to shareholders regarding boiler room scams. Shareholders may have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms. These brokers can be very persistent and extremely persuasive. Shareholders are advised to be very cautious of unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- obtain the correct name of the person and organisations
- check they are authorised by the FCA by looking the firm up on **www.fca.org.uk/register**
- report the matter to the FCA either by calling 0800 111 6768 or visit **www.fca.org.uk/consumers**
- if the caller persists, hang up

Details of the share dealing facilities sponsored by Hikma are included in Hikma's mailings and are on Hikma's website.

Hikma's website is **www.hikma.com** and the registered office is 1 New Burlington Place, London W1S 2HR.
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Shareholder information
continued

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