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Press Release

# Hikma delivers another strong financial and operational performance and improves FY outlook for Generics

**London, 6 August 2021 –** Hikma Pharmaceuticals PLC ('Hikma' or 'Group'), the multinational pharmaceutical company, today reports its interim results for the six months ended 30 June 2021.

Siggi Olafsson, Chief Executive Officer of Hikma, said:

*"Once again, we have benefited from the resilience of our portfolio and our flexible manufacturing footprint. Our strong performance included solid year-over-year increases in revenue and operating profit, underscoring our ability to generate positive results in challenging market conditions. We are continuing to benefit from investments we have made to build our pipeline of new medicines and our progress in the first half underpins our improved outlook for the full year. Looking ahead, our clear strategy, strong pipeline and agility give us the confidence to drive continued growth and deliver increased value to all our stakeholders."*

**Highlights:**

| **Reported results (statutory)**<br>**$ million** | **H1 2021** | H1 2020 | Change | Constant currency[1] change |
|---|---|---|---|---|
| Revenue | **1,216** | 1,132 | 7% | 7% |
| Operating profit | **326** | 297 | 10% | 15% |
| Profit attributable to shareholders | **248** | 212 | 17% | 26% |
| Cashflow from operating activities | **224** | 292 | (23)% | - |
| Basic earnings per share (cents)[2] | **107.4** | 87.6 | 23% | 32% |
| Interim dividend per share (cents)[2] | **18.0** | 16.0 | 13% | - |

| **Core results[3] (underlying)**<br>**$ million** | **H1 2021** | H1 2020 | Change | Constant currency[1] change |
|---|---|---|---|---|
| Core revenue | **1,216** | 1,132 | 7% | 7% |
| Core operating profit | **309** | 284 | 9% | 15% |
| Core profit attributable to shareholders | **223** | 205 | 9% | 18% |
| Core basic earnings per share (cents)[2] | **96.5** | 85.3 | 13% | 23% |

[1] Constant currency numbers in H1 2021 represent reported H1 2021 numbers translated using H1 2020 exchange rates, excluding price increases in the business resulting from the devaluation of currencies and excluding the impact from hyperinflation accounting. Lebanon and Sudan are considered hyperinflationary economies, therefore the spot exchange rate as at 30 June 2021 was used to translate the results of these operations into US dollars

[2] In June 2020, Hikma purchased 12.8 million ordinary shares from Boehringer Ingelheim, which are being held in treasury.

[3] Core results throughout the document are presented to show the underlying performance of the Group, excluding the exceptional items and other adjustments set out in Note 5. Core results are a non-IFRS measure and a reconciliation to reported IFRS measures is provided on page 14

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**Strong first half performance**

- Core Group revenue grew 7% driven by a strong performance in Generics and Branded and the resilience of our Injectables business
- Core operating profit grew 9% to $309 million and core operating margin reached 25%
- Generated good cashflow from operating activities of $224 million. The reduction compared to the first half of 2020 reflects the timing of tax payments
- Maintained low leverage with net debt[4] to core EBITDA[5] of 0.9x at 30 June 2021 (31 December 2020 0.9x)

**Continued revenue growth in all three businesses**

- Generics delivered strong revenue growth and significant margin improvement reflecting good demand for new and recently launched products, a more favourable product mix and lower operating expenses
- Global Injectables revenue grew modestly, following the exceptionally strong performance in H1 2020, reflecting the resilience of our product portfolio. Injectables operating profit declined in line with expectations, primarily due to a shift in product mix
- Branded achieved double digit revenue growth and improved margins, driven by a strong performance across Tier 1 markets

**Further progress increasing availability of important medicines**

- Resumed launch of generic Advair Diskus® in April
- Received approval for and launched 8mg Naloxone nasal spray, demonstrating ability to bring complex generic products to customers and patients
- Launched 9 injectable products in the US, with further launches expected in the second half
- Launched our first locally manufactured oral oncology product in Algeria

**Improved FY outlook driven by upgraded guidance for Generics**

- Injectables – we continue to expect revenue growth in the mid-single digits, with core operating margin in the range of 37% to 38%
- Generics – we now expect revenue to be in the range of $810 million to $830 million and core operating margin to be in the range of 22% to 24%
- Branded – we continue to expect revenue to grow in the mid-single digits in constant currency

**Further information:**

A recording of the presentation will be available on the Company's website at www.hikma.com from 8:00am BST. Hikma will also host a webinar with a live Q&A for analysts and investors at 9:30am BST, and a recording will be available on the Company's website later that day.

Please register your attendance in advance by clicking here. For further information please contact Tiina Lugmayer – tlugmayer@hikma.com.

[4] Group net debt is calculated as Group total debt less Group total cash, including restricted cash. Group net debt is a non-IFRS measure. See page 15 for a reconciliation of Group net debt to reported IFRS figures

[5] Core EBITDA is earnings before interest, tax, depreciation, amortisation, impairment and exceptional and other items. EBITDA is a non-IFRS measure, see page 15 for a reconciliation to reported IFRS results. For the purposes of the leverage calculation, core EBITDA is calculated for trailing twelve months ended 30 June 2021

**Hikma (Investors):**


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**About Hikma:**

Hikma helps put better health within reach every day for millions of people around the world. For more than 40 years, we've been creating high-quality medicines and making them accessible to the people who need them. Headquartered in the UK, we are a global company with a local presence across the United States (US), the Middle East and North Africa (MENA) and Europe, and we use our unique insight and expertise to transform cutting-edge science into innovative solutions that transform people's lives. We're committed to our customers, and the people they care for, and by thinking creatively and acting practically, we provide them with a broad range of branded and non-branded generic medicines. Together, our 8,600 colleagues are helping to shape a healthier world that enriches all our communities. We are a leading licensing partner, and through our venture capital arm, are helping bring innovative health technologies to people around the world. For more information, please visit: www.hikma.com

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

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## STRATEGIC REVIEW

During the first half of 2021, we made excellent progress ensuring our customers have the products they need, delivering on our purpose of putting better health within reach, every day. We achieved this through our strategy of delivering more from our foundation, building a portfolio that anticipates future health needs, and inspiring and enabling our people.

### Our broad and growing portfolio is supporting a strong performance

The breadth of Hikma's portfolio and our flexible manufacturing facilities have enabled us to respond quickly to evolving demand since the beginning of the pandemic.

In Injectables, our portfolio in the US of 119 products and an incremental contribution from new launches has enabled us to partially offset lower demand for products used in the treatment of COVID-19 when compared with the first half of 2020. We have also benefited from our presence in Europe and MENA, where we have seen good demand for our growing portfolio and manufacturing capabilities.

In Generics we have been adding to, and diversifying our portfolio, and these newer products have been a key contributor to our profitable growth. We are working closely with our customers and leveraging our improved service levels to help drive demand and offset the effects of a more competitive environment on certain products in our base portfolio.

In our Branded business we have seen a strong revenue and profit performance in each of our Tier 1 markets, Algeria, Saudi Arabia and Egypt. Our presence across the rest of our 18 MENA markets and our broad portfolio made up of both own-brand generics and in-licenced innovative products is further providing a foundation to our growth.

In Algeria, we are benefitting from our strengthened commercial capabilities and broad product portfolio as well as our established local presence, which enables us to take market opportunities when they arise. In Saudi Arabia, we saw good demand across a range of products and benefitted from the flexibility of our commercial and manufacturing operations. In Egypt, we have continued to see demand for some COVID-19 related products, as well as a good performance from the broader portfolio. We have also seen a strong performance in Sudan where volumes are up significantly, compared to the first half of 2020, when this market faced severe disruptions.

### Delivering new products to patients and anticipating future needs

Maintaining a high potential and differentiated portfolio of new products is essential for delivering sustainable growth. We continue to expand our portfolio with successful new launches across our three businesses and this has been a driver of our strong financial performance in the first half, particularly in Generics. Through our focus on R&D and business development, we also continued to build our product pipeline.

The Generics business launched 4 products in the first half. This included the launch of generic Advair Diskus® in April and we are pleased with how our sales are progressing. We also announced the approval and launch of our KLOXXADO™ (naloxone hydrochloride) nasal spray 8mg, an important new medicine for the treatment of opioid overdose.

Our Injectables business launched a total of 44 products globally, including 9 in the US, building on our track record of consistently delivering launches to deliver incremental growth.

In our Branded business we launched 39 products across our markets and are seeing a return to normal conditions following disruptions to our product launches in 2020 due to the pandemic. Our sales force has returned to in person operations, whilst maintaining some virtual interaction.

We also continue to build our extensive network of global partners to increase patients' access to differentiated medicines. We expanded our licencing agreement with Melinta in the MENA region, adding two novel anti-infective injectable products. We also announced the licencing of Combogesic® IV in the US from AFT Pharmaceuticals, expanding our pipeline of non-opioid pain management treatments. Through these efforts, we are ensuring that we build a portfolio of products that meets the evolving needs of healthcare professionals and patients.

**Making a positive impact**

Our strong performance in the first half would not have been possible without the dedication of our employees. We are focussed on the wellbeing of our employees and have worked to ensure all our colleagues are informed and connected, particularly during the pandemic. We continue to focus on diversity, equity and inclusion in our workplace, with a sub-division of our executive committee dedicated to this area and employee-led affinity groups. We are working to ensure we are an inclusive and inspiring place to work.

As well as focusing on our people, we remained committed to the communities in which we operate. From a social perspective, Hikma's purpose of putting better health within reach, every day, covers not only our core business of supplying medicines, but also our support of local communities. This has continued in the first half of 2021 including, but not limited to: working with the UNHCR to provide 40 four-year tertiary education scholarships for refugees in Jordan, Egypt and Algeria, executing on our new US medicine donation program to consistently and frequently donate medicines to vulnerable populations in need, continuing our support of US food banks after donating 600,000 meals in 2020 and recommitting to our partnership with Save the Children.

We recognise that our ambition of helping to shape a healthier world goes beyond our social impact. We are committed to our environmental responsibility and making our operations more energy efficient. We continue to work to fully understand our environmental impact, and also to develop targets to ensure we are on the path to reduce emissions in line with the goals of the Paris Agreement on limiting the effects of climate change. We look forward to updating all our stakeholders on this work in due course.

**Outlook**

Our strategy continues to deliver results and we are pleased with the strategic progress and financial performance we achieved in the first half. We are confident that our broad and diversified portfolio and our extensive and flexible manufacturing capabilities will enable us to drive further growth in the second half, while also continuing to manage the evolving challenges of the COVID-19 pandemic.

We now expect Generics revenue to be in the range of $810 million to $830 million for the full year, up from $770 million to $810 million, and core operating margin to be in the range of 22% to 24%, up from around 20%. This improved outlook reflects a strong performance from recently launched products.

Our full year expectations for our Injectables and Branded business, remain the same as previously guided.

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

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

We expect Group net finance expense to be around $50 million in 2021 and the core effective tax rate to be around 22% to 23%. We expect Group capital expenditure to be around $140 million to $160 million.

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## BUSINESS AND FINANCIAL REVIEW

The business and financial review set out below summarises the performance of the Group and our three main business segments, Injectables, Generics and Branded, for the six months ended 30 June 2021.

### Group

| **$ million** | **H1 2021** | H1 2020 | Change | Constant currency change |
|---|---|---|---|---|
| Revenue | **1,216** | 1,132 | 7% | 7% |
| Core revenue | **1,216** | 1,132 | 7% | 7% |
| Gross profit[6] | **616** | 577 | 7% | 7% |
| Core gross profit | **616** | 577 | 7% | 7% |
| *Core gross margin* | ***50.7%*** | *51.0%* | *(0.3)pp* | *(0.2)pp* |
| Operating profit | **326** | 297 | 10% | 15% |
| Core operating profit | **309** | 284 | 9% | 15% |
| *Core operating margin* | ***25.4%*** | *25.1%* | *0.3pp* | *1.8pp* |
| EBITDA | **358** | 328 | 9% | 14% |
| Core EBITDA | **358** | 328 | 9% | 14% |

Group revenue grew by 7% reflecting a good performance from all three businesses, particularly in Generics and Branded. Gross margin reduced slightly, with a reduction in Injectables offsetting an improving margin in Branded and Generics.

Group operating expenses were $290 million (H1 2020: $280 million). Excluding adjustments related to the amortisation of intangible assets (other than software) of $29 million (H1 2020: $21 million) and net income from exceptional items of $46 million (H1 2020: $34 million), Group core operating expenses were $307 million (H1 2020: $293 million).

Selling, general and administrative (SG&A) expenses were $261 million (H1 2020: $251 million). Excluding the amortisation of intangible assets (other than software), core SG&A expenses were $232 million (H1 2020: $229 million), up slightly reflecting good control of costs.

Core and reported research and development (R&D) expenses were $59 million (H1 2020: $62 million). The slight decrease reflects the timing of spend, with higher investment in R&D expected in the second half of the year.

Other net operating income was $30 million (H1 2020: $31 million). Excluding other adjustments,[7] core other net operating expenses were $16 million (H1 2020: $(4) million), which primarily comprised foreign exchange-related costs related to the devaluation of the Sudanese pound.

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[6] Beginning in full year 2020, inventory related provisions are reported under the cost of sales line item and are shown here for both H1 2021 and H1 2020 comparatives. In the H1 2020 financial statements, inventory related provisions were included in other operating income/(expenses). The reason for reclassification is to be in line with industry practice. The effect of the adjustment on the operating profit is shown in Note 2.

[7] Other adjustments comprises a $46 million impairment reversal in respect of generic Advair Diskus® intangible asset as a result of launching the product. Refer to Note 5 for further information

The improvements in core operating profit by 9% and core operating margin to 25.4% were primarily driven by the strong performances of Generics and Branded.

**Group core revenue by business segment**

| $ million | **H1 2021** | | H1 2020 | |
|---|---|---|---|---|
| Injectables | **492** | 41% | 485 | 43% |
| Generics | **400** | 33% | 369 | 33% |
| Branded | **319** | 26% | 275 | 24% |
| Others | **5** | 0% | 3 | 0% |
| Total | **1,216** | | 1,132 | |

**Group core revenue by region**

| $ million | **H1 2021** | | H1 2020 | |
|---|---|---|---|---|
| US | **718** | 59% | 716 | 63% |
| MENA | **396** | 33% | 351 | 31% |
| Europe and ROW | **102** | 8% | 65 | 6% |
| Total | **1,216** | | 1,132 | |

**Injectables**

| $ million | **H1 2021** | H1 2020 | Change | Constant currency change |
|---|---|---|---|---|
| Revenue | **492** | 485 | 1% | 0.2% |
| Core revenue | **492** | 485 | 1% | 0.2% |
| Gross profit | **273** | 287 | (5)% | (5)% |
| Core gross profit | **273** | 287 | (5)% | (5)% |
| *Core gross margin* | ***55.5%*** | *59.2%* | *(3.7)pp* | *(3.0)pp* |
| Operating profit | **175** | 192 | (9)% | (5)% |
| Core operating profit | **187** | 204 | (8)% | (5)% |
| *Core operating margin* | ***38.0%*** | *42.1%* | *(4.1)pp* | *(2.2)pp* |

Following a very strong performance in the first half of 2020 across all of our Injectables markets, Injectables revenue increased slightly in the first half of 2021, reflecting our resilient and broad global Injectables portfolio and the breadth, quality and flexibility of our manufacturing facilities.

US Injectables revenue was down 8% to $318 million (H1 2020: $347 million), reflecting reduced demand for COVID-19 related products, increased competition on certain other products and the slow return of elective surgeries, which were only partially offset by the contribution from recent product launches. We continue to expect to deliver growth in US Injectables for the full year.

The decline in the US was more than offset by an increase in European Injectables revenue, up 54% to $97 million (H1 2020: $63 million). In constant currency, European Injectables revenue increased by 41%, reflecting an exceptionally strong contribution from contract manufacturing and good demand across our portfolio of own products, including new launches.

In MENA, Injectables revenue was $77 million, up 3% (H1 2020: $75 million), or up 1% in constant currency. We were pleased to see demand remain steady across our MENA Injectables portfolio, especially given the exceptionally strong performance of this business in the first half of 2020.

Injectables core gross profit and margin declined in the first half reflecting the shift in product mix in the US. Injectables operating expenses were broadly flat, reflecting good control of costs, with slightly lower investment in R&D offset by the adverse impact of foreign exchange movements, primarily related to the Sudanese pound. The decline in Injectables core operating profit, which excludes the amortisation of intangible assets (other than software) and exceptional items[8], was therefore driven by the reduced gross margin.

During H1 2021, the Injectables business launched 9 products in the US, 15 in MENA and 20 in Europe. We submitted 56 filings to regulatory authorities across all markets. We further developed our portfolio through new licensing agreements.

We continue to expect our Injectables business to deliver revenue growth in the mid-single digits and core operating margin to be in the range of 37% to 38%.

**Generics**

| **$ million** | **H1 2021** | **H1 2020** | **Change** |
|---|---|---|---|
| Revenue | **400** | 369 | 8% |
| Core revenue | **400** | 369 | 8% |
| Gross profit | **188** | 161 | 17% |
| Core gross profit | **188** | 161 | 17% |
| *Gross margin* | ***47.0%*** | *43.6%* | *3.4pp* |
| Operating profit | **134** | 102 | 31% |
| Core operating profit | **100** | 72 | 39% |
| *Core operating margin* | ***25.0%*** | *19.5%* | *5.5pp* |

The strong growth in Generics revenue, up 8%, was driven by new launches, as well as continued good contributions from products launched in 2020. This more than offset the effects of competition on certain products.

Generics gross profit growth and gross margin expansion to 25.0% was primarily a result of a change in product mix driven by a good performance from our recent launches.

[8] Exceptional items comprised amortisation of intangible assets other than software, of $12 million. Refer to Note 5 for further information

Generics core operating profit, which excludes the amortisation of intangible assets (other than software) and impairment reversal adjustments,[9] increased primarily due to the improved gross margin, as well as the timing of R&D spend, which we expect will increase in the second half of the year.

During H1 2021, we launched 4 products from our R&D pipeline.

To reflect the strong performance in the first half and our positive outlook for the rest of the year, we are increasing our guidance and now expect Generics revenue to be in the range of $810 million to $830 million and core operating margin to be around 22% to 24% for the full year.

**Branded**

| $ million | **H1 2021** | H1 2020 | Change | Constant currency change |
|---|---|---|---|---|
| Revenue | **319** | 275 | 16% | 17% |
| Core revenue | **319** | 275 | 16% | 17% |
| Gross profit | **153** | 128 | 20% | 20% |
| Core gross profit | **153** | 128 | 20% | 20% |
| *Gross margin* | ***48.0%*** | *46.5%* | *1.5pp* | *1.2pp* |
| Operating profit | **59** | 46 | 28% | 52% |
| Core operating profit | **64** | 51 | 25% | 47% |
| *Core operating margin* | ***20.1%*** | *18.5%* | *1.6pp* | *4.7pp* |

The Branded business achieved a very strong performance in the first half, with revenue up 16%, driven by good growth in each of our Tier 1 markets, Algeria, Saudi Arabia and Egypt. We also saw a good performance in Sudan, where sales have recovered following disruptions in the first half of 2020, and growth across our other MENA markets. During the period, we benefited from good demand for chronic medications and an increase in sales of anti-infectives, as well as a pull-forward in demand for certain products.

Branded gross profit and margin improved ahead of revenue, reflecting an improved product mix.

Branded core operating profit, which excludes the amortisation of intangibles (other than software) and exceptional items,[10] grew strongly, primarily reflecting the improvement in gross profit, which more than offset the negative impact of foreign exchange related to the devaluation of the Sudanese pound.

During H1 2021, the Branded business launched 39 products and submitted 67 filings to regulatory authorities. Revenue from in-licensed products represented 41% of Branded revenue (H1 2020: 46%).

We continue to expect full year Branded revenue growth of mid-single digits in constant currency, and for revenue to be more evenly spread across the year when compared with 2020.

[9] Adjustment comprised a $46 million impairment reversal in respect of generic Advair Diskus® intangible asset as a result of launching the product and amortisation of intangible assets other than software, of $12 million. Refer to Note 5 for further information

[10] Exceptional items comprised amortisation of intangible assets other than software, of $5 million. Refer to Note 5 for further information

**Other businesses**

Other businesses primarily comprise Arab Medical Containers (AMC), a manufacturer of plastic specialised medicinal sterile containers and International Pharmaceuticals Research Centre (IPRC), which conducts bio-equivalency studies. These businesses contributed revenue of $5 million (H1 2020: $3 million), reflecting an improvement from H1 2020 when IPRC temporarily closed due to COVID-19 restrictions. These other businesses made $1 million operating profit in the period (H1 2020: $0 million).

**Research and development**

Our investment in R&D and business development is core to our strategy and enables us to continue expanding the Group's product portfolio. During H1 2021, we had 87 new launches and received 112 approvals.

| | H1 2021 submissions[11] | H1 2021 approvals[11] | H1 2021 launches[11] |
|---|---|---|---|
| Injectables | 56 | 55 | 44 |
| US | 0 | 7 | 9 |
| MENA | 29 | 33 | 15 |
| Europe | 27 | 15 | 20 |
| Generics | 2 | 3 | 4 |
| Branded | 67 | 54 | 39 |
| **Total** | **125** | **112** | **87** |

To ensure the continuous development of our product pipeline, we submitted 125 regulatory filings.

**Net finance expense**

Reported net finance expense was $7 million (H1 2020: $23 million) which reflects non-cash net income of $17 million resulting from the remeasurement and unwinding of the contingent consideration related to the Generics business. Core net finance expense was $24 million (H1 2020: $19 million) primarily due to a drop in finance income as a result of the low interest rate environment and a lower cash balance when compared with 30 June 2020.

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

**Profit before tax**

Reported profit before tax was $319 million (H1 2020: $274 million). Core profit before tax was $285 million (H1 2020: $265 million), reflecting a good performance from our three business segments, particularly Generics and Branded.

**Tax**

The Group incurred a tax expense of $71 million (H1 2020: $62 million). Excluding the tax impact of exceptional items, the Group core tax expense was $62 million in H1 2021 (H1 2020: $60 million). The core effective tax rate for H1 2021 was 21.8% (H1 2020: 22.6%). We continue to expect the Group´s core effective tax rate to be around 22% to 23% for the full year.

[11] New products submitted, approved and launched by country in H1 2021

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**Profit attributable to shareholders**

Profit attributable to shareholders was $248 million (H1 2020: $212 million). Excluding the amortisation of intangible assets (other than software) and exceptional items[12], core profit attributable to shareholders increased by 8.8% to $223 million (H1 2020: $205 million).

**Earnings per share**

| | **H1 2021** | H1 2020 | Change | Constant currency change |
|---|---|---|---|---|
| Basic earnings per share (cents) | **107.4** | 87.6 | 23% | 32% |
| Core basic earnings per share (cents) | **96.5** | 85.3 | 13% | 23% |
| Diluted earnings per share (cents) | **106.9** | 87.2 | 23% | 32% |
| Core diluted earnings per share (cents) | **96.1** | 84.8 | 13% | 23% |
| Weighted average number of Ordinary Shares for the purposes of basic earnings ('m) | **231** | 242 | - | - |
| Weighted average number of Ordinary Shares for the purposes of diluted earnings ('m) | **232** | 243 | - | - |

The increase in earnings per share reflects the strong performance of the Group and the value for shareholders created by the Group's buy back of 12.8 million ordinary shares in the first half of 2020.

**Dividend**

The Board is recommending an interim dividend of 18 cents per share (approximately 13 pence per share) (H1 2020: 16 cents per share). The interim dividend will be paid on 20 September 2021 to eligible shareholders on the register at the close of business on 20 August 2021.

**Net cash flow, working capital and net debt**

The Group generated operating cash flow of $224 million (H1 2020: $292 million). This reduction is primarily driven by an increase in income tax paid, due in part to our growing US business, as well as the timing of tax payments - the 2020 US Cares Act resulted in the movement of our H1 2020 tax payments to H2 2020.

Group working capital days were up 39 days to 266 days, primarily driven by a reduction in payable days when compared with the first half of 2020. When compared to the position on December 31 2020, working capital days are up two days. Over the course of 2020, due to the COVID-19 pandemic, we made a strategic decision to increase inventory levels to ensure continuity of supply for our customers, which increased trade payable levels, while simultaneously we saw our sales mix result in reduced receivable collection periods. As the impact of the pandemic has begun to ease, we have started returning to more normalised inventory levels as well as receivable and payable days.

Cash capital expenditure was $65 million (H1 2020: $66 million). In the US, $26 million was spent upgrading equipment, expanding packaging areas and adding new technologies for our Generics and Injectables businesses. In MENA, $29 million was spent strengthening and expanding manufacturing and warehousing capabilities. In Europe, we spent $10 million, expanding our facilities and enhancing

[12] Excluding $17 million of exceptionals included in operating profit and the $17 million net effect related to unwinding and remeasurement of contingent consideration and other financial liability and $9 million tax effect

capabilities in Portugal. We continue to expect Group capital expenditure to be around $140 million to $160 million in 2021.

The Group's total debt remained constant at $932 million at 30 June 2021 (31 December 2020: $932 million).

The Group's cash balance was $326 million (31 December 2020: $327 million). The Group's net debt was $606 million at 30 June 2021 (31 December 2020: $605 million).[13] We continue to have a very strong balance sheet with a net debt to core EBITDA ratio of 0.9x.

**Balance sheet**

Net assets at 30 June 2021 were $2,303 million (31 December 2020: $2,148 million). Net current assets increased to $995 million (31 December 2020: $894 million).

**Responsibility statement**

We confirm that to the best of our knowledge:

These interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority and with UK adopted IAS 34, 'Interim financial reporting', and as issued by the International Accounting Standards Board (IASB). The interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020.

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

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

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

By order of the Board

| | |
|---|---|
| Sigurdur Olafsson | Khalid Nabilsi |
| Chief Executive Officer | Chief Financial Officer |
| 5 August 2021 | 5 August 2021 |

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

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## The Board

The Board of Directors that served during all or part of the six-month period to 30 June 2021 and their respective responsibilities can be found on the Leadership team section of www.hikma.com.

## Cautionary statement

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

## Definitions

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

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

*Core results*

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

| **Group operating profit** | **H1 2021 $million** | H1 2020 $million |
|---|---|---|
| **Core operating profit** | **309** | **284** |
| Jordan warehouse fire incident | - | 1 |
| MENA severance and restructuring costs | - | (1) |
| Intangible assets amortisation other than software | (29) | (21) |
| Impairment reversal of product related intangibles | 46 | 34 |
| **Reported operating profit** | **326** | **297** |

*Constant currency*

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

Constant currency numbers in H1 2021 represent reported H1 2021 numbers translated using H1 2020 exchange rates, excluding price increases in the business resulting from the devaluation of currencies and

excluding the impact from hyperinflation accounting. Lebanon and Sudan are considered hyperinflationary economies, therefore the spot exchange rate as at 30 June 2021 was used to translate the results of these operations into US dollars.

*EBITDA*

EBITDA is earnings before interest, tax, depreciation, amortisation, impairment and exceptional and other items.

| **EBITDA**<br>**$ million** | **H1 2021** | H1 2020 |
|---|---|---|
| **Reported operating profit** | **326** | **297** |
| Depreciation | 44 | 38 |
| Amortisation | 34 | 26 |
| Impairment charges/reversals | (46) | (33) |
| **EBITDA** | **358** | **328** |
| *Exceptional items:* | | |
| Jordan warehouse fire incident | - | (1) |
| MENA severance and restructuring costs | - | 1 |
| **Core EBITDA** | **358** | **328** |

*Working capital days*

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

*Group net debt*

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

| **Group net debt**<br>**$ million** | **Jun-21** | **Dec-20** |
|---|---|---|
| Short-term financial debts | (172) | (158) |
| Short-term leases liabilities | (9) | (10) |
| Long-term financial debts | (676) | (692) |
| Long-term leases liabilities | (75) | (72) |
| **Total debt** | **(932)** | **(932)** |
| Cash, cash equivalents and restricted cash | 326 | 327 |
| **Net debt** | **(606)** | **(605)** |

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**Forward looking statements**

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

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

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

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

**Principal risks and uncertainties**

The Group faces risks from a range of sources that could have a material impact on our financial results and ability to trade in the future. The principal risks are determined via robust assessment considering our risk context by the Board of Directors with input from executive management. The principal risks for the company have not materially changed in the last six months. They are described below and in more detail in the 2020 annual report on pages 55 – 58. They are not expected to change significantly in the second six months of the financial year.

The Board recognises that certain risk factors that influence the principal risks are outside of the control of management. The Board is satisfied that the principal risks are being managed appropriately and consistently with the risk appetite. The set of principal risks should not be considered as an exhaustive list of all the risks the Group faces. In addition to the Principal risks, new and emerging risks are monitored as part of our risk management framework, including climate-related risks. We continue to prepare for alignment of our public disclosures with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.

| Principal risks | What does the risk cover? |
|---|---|
| Industry dynamics | The commercial viability of the industry and business model we operate may change significantly as a result of political action, economic factors, societal pressures, regulatory interventions or changes to participants in the value chain of the industry. |
| Product pipeline | Selecting, developing and registering new products that meet market needs and are aligned with Hikma's strategy to provide a continuous source of future growth. |
| Organisational development | Developing, maintaining and adapting organisational structures, management processes and controls, and talent pipeline to enable effective delivery by the business in the face of rapid and constant internal and external change. |
| Reputation | Building and maintaining trusted and successful partnerships with our stakeholders relies on developing and sustaining our reputation as one of our most valuable assets. |
| Ethics and compliance | Maintaining a culture underpinned by ethical decision making, with appropriate internal controls to ensure staff and third parties comply with our Code of Conduct, associated policies and procedures, as well as all applicable legislation. |
| Information and cyber security, technology and infrastructure | Ensuring the integrity, confidentiality, availability and resilience of data, securing information stored and/or processed internally or externally from cyber and non-cyber threats, maintaining and developing technology systems that enable business processes, and ensuring infrastructure supports the organisation effectively. |
| Legal, regulatory and intellectual property | Complying with laws and regulations, and their application. Managing litigation, governmental investigations, sanctions, contractual terms and conditions and adapting to their changes while preserving shareholder value, business integrity and reputation. |
| Inorganic growth | Identifying, accurately pricing and realising expected benefits from acquisitions or divestments, licensing, or other business development activities. |
| Active pharmaceutical ingredient (API) and third-party risk management | Maintaining availability of supply, quality and competitiveness of API purchases and ensuring proper understanding and control of third-party risks. |
| Crisis response and business continuity | Preparedness, response, continuity and recovery from disruptive events, such as natural catastrophe, economic turmoil, operational issues, pandemic, political crisis, and regulatory intervention. |
| Product quality and safety | Maintaining compliance with current Good Practices for Manufacturing (cGMP), Laboratory (cGLP), Distribution (cGDP) and Pharmacovigilance (cGVP) by staff, and ensuring compliance is maintained by all relevant third parties involved in these processes. |
| Financial control and reporting | Effectively managing income, expenditure, assets and liabilities, liquidity, exchange rates, tax uncertainty, debtor and associated activities, and in reporting accurately, in a timely manner and in compliance with statutory requirements and accounting standards. |

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

**Our conclusion**
We have reviewed Hikma Pharmaceuticals PLC's condensed consolidated interim financial statements (the "interim financial statements") in the interim results press release of Hikma Pharmaceuticals PLC for the 6 month period ended 30 June 2021 (the "period").

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

**What we have reviewed**
The interim financial statements comprise:

- the condensed consolidated interim balance sheet as at 30 June 2021;
- the condensed consolidated interim income statement and condensed consolidated interim statement of comprehensive income for the period then ended;
- the condensed consolidated interim cash flow statement for the period then ended;
- the condensed consolidated interim statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

## Responsibilities for the interim financial statements and the review

**Our responsibilities and those of the directors**
The interim results press release, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim results press release in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results press release based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
5 August 2021

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Hikma Pharmaceuticals PLC
Condensed consolidated interim income statement

| | Note | H1 2021 Core results $m (Unaudited) | H1 2021 Exceptional items and other adjustments (Note 5) $m (Unaudited) | H1 2021 Reported results $m (Unaudited) | H1 2020 Core results $m (Unaudited) | H1 2020 Exceptional items and other adjustments (Note 5) $m (Unaudited) | H1 2020 Reported results $m (Unaudited) |
|---|---|---|---|---|---|---|---|
| Revenue | 3 | 1,216 | - | 1,216 | 1,132 | - | 1,132 |
| Cost of sales[1] | | (600) | - | (600) | (555) | - | (555) |
| **Gross profit** | | **616** | **-** | **616** | **577** | **-** | **577** |
| Selling, general and administrative expenses | | (232) | (29) | (261) | (229) | (22) | (251) |
| Net impairment reversals on financial assets | | - | - | - | 2 | - | 2 |
| Research and development expenses | | (59) | - | (59) | (62) | - | (62) |
| Other operating income/(expenses), net[1] | | (16) | 46 | 30 | (4) | 35 | 31 |
| **Total operating (expenses)/income** | | **(307)** | **17** | **(290)** | **(293)** | **13** | **(280)** |
| **Operating profit** | 4 | **309** | **17** | **326** | **284** | **13** | **297** |
| Finance income | | 1 | 29 | 30 | 5 | - | 5 |
| Finance expense | | (25) | (12) | (37) | (24) | (4) | (28) |
| **Profit before tax** | | **285** | **34** | **319** | **265** | **9** | **274** |
| Tax | 6 | (62) | (9) | (71) | (60) | (2) | (62) |
| **Profit for the half-year** | | **223** | **25** | **248** | **205** | **7** | **212** |
| Attributable to: | | | | | | | |
| Non-controlling interests | | - | - | - | - | - | - |
| **Equity holders of the parent** | | **223** | **25** | **248** | **205** | **7** | **212** |
| | | **223** | **25** | **248** | **205** | **7** | **212** |
| **Earnings per share (cents)** | | | | | | | |
| Basic | | 96.5 | | 107.4 | 85.3 | | 87.6 |
| Diluted | | 96.1 | | 106.9 | 84.8 | | 87.2 |

1.Inventory related provisions have been reclassified under the cost of sales line item to align with industry practice. Previously the costs were reflected in other operating income/(expenses), net and hence the H1 2020 numbers have consequently been restated. See Note 2 for more details

On this page and throughout this financial information ‘H1 2021’ refers to the six months ended 30 June 2021. ‘H1 2020’ refers to the six months ended 30 June 2020.

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Hikma Pharmaceuticals PLC
Condensed consolidated interim statement of comprehensive income

| | H1 2021 Reported results | H1 2020 Reported results |
|---|---|---|
| | $m (Unaudited) | $m (Unaudited) |
| **Profit for the half-year** | **248** | **212** |
| **Other Comprehensive Income** | | |
| **Items that may subsequently be reclassified to the consolidated income statement, net of tax:** | | |
| Currency translation loss and hyperinflation movement | (31) | (13) |
| **Total comprehensive income for the half-year** | **217** | **199** |
| Attributable to: | | |
| Non-controlling interests | - | (1) |
| **Equity holders of the parent** | **217** | **200** |
| | **217** | **199** |

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Hikma Pharmaceuticals PLC
Condensed consolidated interim balance sheet

| | Note | 30 June 2021 $m (Unaudited) | 31 December 2020 $m (Audited) |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Goodwill | | 286 | 289 |
| Other intangible assets | 8 | 620 | 587 |
| Property, plant and equipment | | 1,001 | 1,009 |
| Right-of-use assets | | 60 | 59 |
| Investment in joint ventures | | 10 | 9 |
| Deferred tax assets | | 208 | 221 |
| Financial and other non-current assets | 9 | 40 | 39 |
| | | **2,225** | **2,213** |
| ***Current assets*** | | | |
| Inventories | 10 | 736 | 757 |
| Income tax receivable | | 49 | 36 |
| Trade and other receivables | 11 | 809 | 756 |
| Collateralised and restricted cash | | 4 | 4 |
| Cash and cash equivalents | 12 | 322 | 323 |
| Other current assets | 13 | 35 | 46 |
| | | **1,955** | **1,922** |
| **Total assets** | | **4,180** | **4,135** |
| ***Current liabilities*** | | | |
| Short-term financial debts | 16 | 172 | 158 |
| Lease liabilities | | 9 | 10 |
| Trade and other payables | 14 | 386 | 470 |
| Income tax payable | | 63 | 72 |
| Other provisions | | 29 | 28 |
| Other current liabilities | 15 | 301 | 290 |
| | | **960** | **1,028** |
| **Net current assets** | | **995** | **894** |
| ***Non-current liabilities*** | | | |
| Long-term financial debts | 16 | 676 | 692 |
| Lease liabilities | | 75 | 72 |
| Deferred tax liabilities | | 21 | 31 |
| Other non-current liabilities | 17 | 145 | 164 |
| | | **917** | **959** |
| **Total liabilities** | | **1,877** | **1,987** |
| **Net assets** | | **2,303** | **2,148** |
| **Equity** | | | |
| Share capital | | 41 | 41 |
| Share premium | | 282 | 282 |
| Other reserves | | (65) | (80) |
| Retained earnings | | 2,032 | 1,892 |
| **Equity attributable to equity holders of the parent** | | **2,290** | **2,135** |
| Non-controlling interests | | 13 | 13 |
| **Total equity** | | **2,303** | **2,148** |

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# Hikma Pharmaceuticals PLC
## Condensed consolidated interim statement of changes in equity

| | Merger and revaluation reserves | Translation reserve | Own shares | Total other reserves | Retained earnings | Share capital | Share premium | Equity attributable to equity shareholders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | $m | $m | $m | $m | $m | $m | $m | $m | $m | $m |
| **Balance at 1 January 2020** | **57** | **(235)** | **(1)** | **(179)** | **1,973** | **41** | **282** | **2,117** | **12** | **2,129** |
| Reclassification[1] | - | - | 1 | **1** | (1) | - | - | **-** | - | **-** |
| **Balance at 1 January 2020 as adjusted** | **57** | **(235)** | **-** | **(178)** | **1,972** | **41** | **282** | **2,117** | **12** | **2,129** |
| Profit for the half-year[2] | 34 | - | - | **34** | 178 | - | - | **212** | - | **212** |
| Currency translation loss | - | (12) | - | **(12)** | - | - | - | **(12)** | (1) | **(13)** |
| **Total comprehensive income for the half-year** | 34 | (12) | - | **22** | 178 | - | - | **200** | (1) | **199** |
| **Total transactions with owners, recognised directly in equity** | | | | | | | | | | |
| Cost of equity-settled employee share scheme | - | - | - | **-** | 14 | - | - | **14** | - | **14** |
| Dividends paid (Note 7) | - | - | - | **-** | (73) | - | - | **(73)** | (1) | **(74)** |
| Share buyback | - | - | - | **-** | (367) | - | - | **(367)** | - | **(367)** |
| Current income tax arising from Share buyback | - | - | - | **-** | (1) | - | - | **(1)** | - | **(1)** |
| **Balance at 30 June 2020 (unaudited)** | **91** | **(247)** | **-** | **(156)** | **1,723** | **41** | **282** | **1,890** | **10** | **1,900** |
| **Balance at 31 December 2020 (audited) and 1 January 2021** | **119** | **(199)** | **-** | **(80)** | **1,892** | **41** | **282** | **2,135** | **13** | **2,148** |
| Profit for the half-year[2] | 46 | - | - | **46** | 202 | - | - | **248** | - | **248** |
| Currency translation loss and hyperinflation movement | - | (31) | - | **(31)** | - | - | - | **(31)** | - | **(31)** |
| **Total comprehensive income for the half-year** | 46 | (31) | - | **15** | 202 | - | - | **217** | - | **217** |
| **Total transactions with owners, recognised directly in equity** | | | | | | | | | | |
| Cost of equity-settled employee share scheme | - | - | - | **-** | 16 | - | - | **16** | - | **16** |
| Dividends paid (Note 7) | - | - | - | **-** | (78) | - | - | **(78)** | - | **(78)** |
| **Balance at 30 June 2021 (unaudited)** | **165** | **(230)** | **-** | **(65)** | **2,032** | **41** | **282** | **2,290** | **13** | **2,303** |

1.Beginning in 2020, own shares are deducted from retained earnings

2.An impairment reversal of $46 million has been allocated from retained earnings to the merger and revaluation reserves in relation to generic Advair Diskus® cash generating unit (CGU) (Note 5 and 8)
In H1 2020, $34 million impairment reversal has been allocated from retained earnings to the merger and revaluation reserves in relation to the Generics segment (Year ended 2020: net impairment reversal of $62 million)

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Hikma Pharmaceuticals PLC
Condensed consolidated interim cash flow statement

| | Note | H1 2021 $m (Unaudited) | H1 2020 $m (Unaudited) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 18 | **312** | **311** |
| Income taxes paid | | (88) | (19) |
| **Net cash inflow from operating activities** | | **224** | **292** |
| **Cash flow from investing activities** | | | |
| Purchases of property, plant and equipment | | (65) | (66) |
| Purchase of intangible assets | | (29) | (35) |
| Additions of investments at FVTOCI | | (1) | (3) |
| Proceeds from investment divestiture | | 1 | 2 |
| Interest income received | | 1 | 5 |
| Investment related amounts held in escrow account | | - | (3) |
| Payments of acquired contingent liability | | (11) | - |
| **Net cash outflow from investing activities** | | **(104)** | **(100)** |
| **Cash flow from financing activities** | | | |
| Increase in collateralised and restricted cash | | - | 1 |
| Proceeds from issue of long-term financial debts | | 3 | 700 |
| Repayment of long-term financial debts | | (21) | (507) |
| Proceeds from short-term borrowings | | 219 | 156 |
| Repayment of short-term borrowings | | (202) | (101) |
| Repayment of lease liabilities | | (7) | (7) |
| Dividends paid | | (78) | (73) |
| Dividends paid to non-controlling shareholders of subsidiaries | | - | (1) |
| Interest and bank charges paid | | (25) | (24) |
| Share buyback | | - | (371) |
| Commitment fees received related to share buyback | | - | 7 |
| Payment to co-development and earnout payment agreement | | (1) | - |
| **Net cash outflow from financing activities** | | **(112)** | **(220)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **8** | **(28)** |
| **Cash and cash equivalents at beginning of the half-year** | | **323** | **442** |
| Foreign exchange translation movements | | (9) | (1) |
| **Cash and cash equivalents at end of the half-year** | 12 | **322** | **413** |

## 1. General information

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

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

## 2. Accounting policies

The unaudited condensed consolidated interim financial statements (financial statements) for the six months ended 30 June 2021 have been prepared on the basis of policies set out in the 2020 annual report.

### Reclassification of H1 2020 interim financial statements

Beginning in H2 2020, inventory related provisions were reported under the cost of sales line item. In H1 2020 interim financial statements, inventory related provisions were included in other operating income/(expenses), net line item. The reason for reclassification is to be in line with industry practice. The effect of the adjustment on the operating profit was as follows:

| | **H1 2020 results as previously reported (Unaudited) $m** | **Adjustment $m** | **Adjusted H1 2020 Reported results (Unaudited) $m** |
|---|---|---|---|
| Cost of sales | (530) | **(25)** | (555) |
| Gross profit | **602** | **(25)** | **577** |
| Other operating income/(expenses), net | **(305)** | **25** | (280) |
| Operating Profit | **297** | **-** | **297** |

### Basis of preparation

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

These interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority with UK adopted IAS 34, 'Interim financial reporting', and as issued by the International Accounting Standards Board (IASB). The financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with:

## 2. Accounting policies continued

(i) International Financial Reporting Standards ('IFRS') in conformity with the requirements of the Companies Act 2006 the applicable legal requirements of the Companies Act 2006. In addition to complying with IFRS in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.
(ii) IFRS as issued by the International Accounting Standards Board (IASB).

The financial information does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for 2020 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006. These interim financial statements have been reviewed, not audited.

In the year to 31 December 2021 the annual financial statements will be prepared in accordance with IFRS as adopted by the UK Endorsement Board which is a change in basis of preparation that is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

### New standards interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.
The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).
The amendments include the following practical expedient:
A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

These amendments had no significant impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

### Going concern

The Directors have considered the going concern position of the Group at 30 June 2021. The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. The Group's business activity, together with the factors likely to affect its future development, performance and position are set out in the Interim Results Press Release. The Interim Results Press Release also includes a summary of the financial position, cash flow and borrowing facilities.

## 2. Accounting policies continued

At 30 June 2021 the Group had undrawn long term committed banking facilities of $1,101 million. The Group's total debt at 30 June 2021 was $932 million while the Group's cash, cash equivalent and collateralised and restricted cash at 30 June 2021 balance was $326 million making the net debt[1] $607 million. The Group's net debt[1] to trailing core EBITDA ratio was 0.9x at 30 June 2021. Taking into account the Group's current position and its principal risks for a period longer than twelve months, a going concern analysis has been prepared using realistic scenarios applying a severe but plausible downside considering the principal risks facing the business including delays to the pipeline, lower sales of newly launched products, increased price erosion impacting existing products, and disruption in certain MENA markets, which shows sufficient liquidity headroom. Therefore, the Directors believe that the Group and its subsidiaries are adequately placed to manage its business and financing risks successfully, despite the current uncertain economic and political outlook. Having reassessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

Notwithstanding the fact that financial covenants have been suspended for as long as the Group retains its investment grade status from two Rating Agencies[2], the Group was in compliance on 30 June and expects to remain in compliance with those covenants in the period to 31 December 2022 even in the severe but plausible downside scenario. As at 30 June 2021 the Group investment grade rating is affirmed by S&P and Fitch.

1. Group net debt is a non-IFRS measure that includes long and short-term financial debts (Note 16), lease liabilities, net of cash and cash equivalents and collateralised and restricted cash. Group net debt excludes co-development and earnout payments, acquired contingent liabilities and contingent consideration (Notes 15 and 17)
2. Rating agencies: means each of Fitch, Moody's and S&P or any of their affiliates or successors

## 3. Revenue from contracts with customers

### Business and geographical markets

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

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

| H1 2020 (unaudited) | Branded $m | Injectables $m | Generics $m | Others $m | Total $m |
|---|---|---|---|---|---|
| United States | - | 347 | 369 | - | 716 |
| Middle East and North Africa | 273 | 75 | - | 3 | 351 |
| Europe and Rest of the World | 2 | 61 | - | - | 63 |
| United Kingdom | - | 2 | - | - | 2 |
| | 275 | 485 | 369 | 3 | 1,132 |

## 3. Revenue from contracts with customers continued

The top selling markets are shown below:

| | H1 2021 $m | H1 2020 $m |
|---|---|---|
| | (Unaudited) | (Unaudited) |
| United States | 718 | 716 |
| Saudi Arabia | 114 | 113 |
| Egypt | 66 | 58 |
| | 898 | 887 |

In H1 2021, included in revenue arising from the Generics and Injectables segments are sales the Group made to two (H1 2020: three) wholesalers in the US of $335 million (H1 2020: $412 million)

Each of these customers accounted for greater than 10% of Group's revenue in the period on an individual basis.

## 4. Business segments

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

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

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## 4. Business segments continued

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

| Injectables | H1 2021 Core results (Unaudited) $m | H1 2021 Exceptional items and other adjustments (Note 5) (Unaudited) $m | H1 2021 Reported results (Unaudited) $m | H1 2020 Core results (Unaudited) $m | H1 2020 Exceptional items and other adjustments (Note 5) (Unaudited) $m | H1 2020 Reported results (Unaudited) $m |
|---|---|---|---|---|---|---|
| Revenue | 492 | - | 492 | 485 | - | 485 |
| Cost of sales[1] | (219) | - | (219) | (198) | - | (198) |
| **Gross profit** | **273** | **-** | **273** | **287** | **-** | **287** |
| Total operating expenses[1] | (86) | (12) | (98) | (83) | (12) | (95) |
| **Segment result** | **187** | **(12)** | **175** | **204** | **(12)** | **192** |

| Generics | H1 2021 Core results (Unaudited) $m | H1 2021 Exceptional items and other adjustments (Note 5) (Unaudited) $m | H1 2021 Reported results (Unaudited) $m | H1 2020 Core results (Unaudited) $m | H1 2020 Exceptional items and other adjustments (Note 5) (Unaudited) $m | H1 2020 Reported results (Unaudited) $m |
|---|---|---|---|---|---|---|
| Revenue | 400 | - | 400 | 369 | - | 369 |
| Cost of sales[1] | (212) | - | (212) | (208) | - | (208) |
| **Gross profit** | **188** | **-** | **188** | **161** | **-** | **161** |
| Total operating expenses[1] | (88) | 34 | (54) | (89) | 30 | (59) |
| **Segment result** | **100** | **34** | **134** | **72** | **30** | **102** |

| Branded | H1 2021 Core results (Unaudited) $m | H1 2021 Exceptional items and other adjustments (Note 5) (Unaudited) $m | H1 2021 Reported results (Unaudited) $m | H1 2020 Core results (Unaudited) $m | H1 2020 Exceptional items and other adjustments (Note 5) (Unaudited) $m | H1 2020 Reported results (Unaudited) $m |
|---|---|---|---|---|---|---|
| Revenue | 319 | - | 319 | 275 | - | 275 |
| Cost of sales[1] | (166) | - | (166) | (147) | - | (147) |
| **Gross profit** | **153** | **-** | **153** | **128** | **-** | **128** |
| Total operating expenses[1] | (89) | (5) | (94) | (77) | (5) | (82) |
| **Segment result** | **64** | **(5)** | **59** | **51** | **(5)** | **46** |

1.Inventory related provisions have been reclassified under the cost of sales line item to align with industry practice. Previously the costs were reflected in other operating income/(expenses), net and hence the H1 2020 numbers have consequently been restated. See Note 2 for more details

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## 4. Business segments continued

| Others[1] | H1 2021 Core results (Unaudited) $m | H1 2021 Exceptional items and other adjustments (Note 5) (Unaudited) $m | H1 2021 Reported results (Unaudited) $m | H1 2020 Core results (Unaudited) $m | H1 2020 Exceptional items and other adjustments (Note 5) (Unaudited) $m | H1 2020 Reported results (Unaudited) $m |
|---|---|---|---|---|---|---|
| Revenue | 5 | - | 5 | 3 | - | 3 |
| Cost of sales | (3) | - | (3) | (2) | - | (2) |
| **Gross profit** | **2** | **-** | **2** | **1** | **-** | **1** |
| Total operating expenses | (1) | - | (1) | (1) | - | (1) |
| **Segment result** | **1** | **-** | **1** | **-** | **-** | **-** |

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

| Group | H1 2021 Core results (Unaudited) $m | H1 2021 Exceptional items and other adjustments (Note 5) (Unaudited) $m | H1 2021 Reported results (Unaudited) $m | H1 2020 Core results (Unaudited) $m | H1 2020 Exceptional items and other adjustments (Note 5) (Unaudited) $m | H1 2020 Reported results (Unaudited) $m |
|---|---|---|---|---|---|---|
| Segment result | 352 | 17 | 369 | 327 | 13 | 340 |
| Unallocated expenses[2] | (43) | - | (43) | (43) | - | (43) |
| **Operating profit** | **309** | **17** | **326** | **284** | **13** | **297** |
| Finance income | 1 | 29 | 30 | 5 | - | 5 |
| Finance expense | (25) | (12) | (37) | (24) | (4) | (28) |
| **Profit before tax** | **285** | **34** | **319** | **265** | **9** | **274** |
| Tax | (62) | (9) | (71) | (60) | (2) | (62) |
| **Profit for the half-year** | **223** | **25** | **248** | **205** | **7** | **212** |
| Attributable to: | | | | | | |
| Non-controlling interests | - | - | - | - | - | - |
| **Equity holders of the parent** | 223 | 25 | 248 | 205 | 7 | 212 |
| | **223** | **25** | **248** | **205** | **7** | **212** |

2. Unallocated corporate expenses mainly comprise employee costs and third-party professional fees

## 5. Exceptional items and other adjustments

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

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

## 5. Exceptional items and other adjustments continued

### Other adjustments:

- $46 million impairment reversal in respect of generic Advair Diskus® intangible asset as a result of launching the product (Note 8) following FDA approval in April 2021 of an amendment submitted to its Abbreviated New Drug Application in January 2021.

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

- Remeasurement of contingent consideration finance income 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 15 and 17).

- Unwinding and remeasurement 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 15 and 17).

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

| | | Generics | Injectables | Branded | Others | Unallocated | Total |
|---|---|---|---|---|---|---|---|
| **H1 2020** | | **$m** | **$m** | **$m** | **$m** | **$m** | **$m** |
| *Exceptional Items* | | | | | | | |
| MENA severance and restructuring costs | SG&A | - | - | (1) | - | - | (1) |
| Jordan warehouse fire incident | Other operating (expense)/income | - | - | 1 | - | - | 1 |
| **Exceptional Items** | | - | - | - | - | - | - |
| *Other adjustments* | | | | | | | |
| Impairment reversal of product related intangibles | Other operating (expense)/income | 34 | - | - | - | - | 34 |
| Intangible assets amortisation other than software | SG&A | (4) | (12) | (5) | - | - | (21) |
| Unwinding and remeasurement of contingent consideration and other financial liability | Finance expense | - | - | - | - | (4) | (4) |
| **Exceptional items and other adjustments included in profit before tax** | | **30** | **(12)** | **(5)** | **-** | **(4)** | **9** |
| Tax effect | Tax | | | | | | (2) |
| **Impact on profit for the half-year** | | | | | | | **7** |

### In H1 2020, exceptional items related to the following:

- Jordan warehouse fire incident: In H1 2020, Hikma received $1 million of insurance compensation related to a fire incident which took place in 2019 at one of Hikma's Jordan facilities. This is included in other operating (expenses)/income. Since the incident occurred, Hikma received $15 million for insurance compensation.
- MENA severance and restructuring costs: of $1 million related to one-off organisational restructuring in MENA that started in 2019 and are included in selling, general and administrative expenses (SG&A). The total spent on this since 2019 is $10 million.

### In H1 2020 other adjustments related to the following:

- $34 million impairment reversal in respect of specific product related intangibles in the Generics segment which reflects a better-than-expected performance of certain marketed products (Note 8). This is included in other operating (expenses)/income.

## 5. Exceptional items and other adjustments continued

- Intangible assets amortisation other than software of $21 million.
- Remeasurement of contingent consideration and other financial liability represents the net difference resulting from the valuation and unwinding 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 15 and 17).

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. Tax

The Group incurred a tax expense of $71 million (H1 2020: $62 million). The reported effective tax rate for H1 2021 is 22.3% (H1 2020: 22.6%), representing the best estimate of the average annual effective tax rate expected for the full year on a legal entity basis, applied to the pre-tax income for H1 2021 and adjusted for the tax effect of any discrete items recorded in the same period.

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

The effective tax rate is higher than the UK tax rate of 19% which is primarily driven by the earnings mix being concentrated in jurisdictions with higher tax rates such as the United States.

## 7. Dividends

| | H1 2021 $m (Unaudited) | H1 2020 $m (Unaudited) |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Final dividend for the year ended 31 December 2020 of 34 cents (2019: 30 cents) per share | 78 | 73 |
| | 78 | 73 |

The proposed interim dividend for the H1 2021 is 18 cents (H1 2020: 16 cents) per share.

The proposed interim dividend will be paid on 20 September 2021 to eligible shareholders on the register at the close of business on 20 August 2021.

Based on the number of shares in issue at 30 June 2021 of 231,432,099 the unrecognised liability is $42 million.

## 8. Other intangible assets

During the period, the Group performed a review of its CGUs and other intangibles assets, considering whether any indicators of impairment or impairment reversal existed at 30 June 2021 in the context of IAS 36.

As per the Group policy, the launching of generic Advair Diskus® following FDA approval in April 2021 of an amendment submitted to its Abbreviated New Drug Application in January 2021 was considered as an indicator for an impairment reversal assessment. As a result the Group evaluated the generic Advair Diskus® CGU recoverable value based on a probability weighted average of different possible cash flows which resulted in a reversal of impairment of $46 million. Details relating to the recoverable value evaluation are as follows:

| | |
|---|---|
| Key assumptions | Probability weighted average of different possible sales growth rates, informed by conversion rates from the branded products and competitor entries<br>Profit margins and profit margin growth rates<br>Useful life<br>Discount rates |
| Period of specific projected cash flows | 5 years |
| Useful life | 11 years |
| Post-tax discount rate | 7.10% |

The Group performed sensitivity analysis over the valuation of the generic Advair Diskus® CGU assuming a 10% reduction/increase in the projected cash flows, which resulted in a reduction/increase of $16 million on the CGU value.

No other indicators of impairment or impairment reversal were identified.

Other intangible assets increased by $33 million (H1 2020: increased by $18 million) during the period. This was as a result of the $46 million impairment reversal (H1 2020: net impairment reversal of $33 million) and $21 million of additions (H1 2020: $11 million), offset by amortisation of $34 million (H1 2020: $26 million).

## 9. Financial and other non-current assets

| | 30 June 2021 $m | 31 December 2020 $m |
|---|---|---|
| | (Unaudited) | (Audited) |
| Investments at FVTOCI | 26 | 25 |
| Others | 14 | 14 |
| | 40 | 39 |

**Investments at FVTOCI** include investments in nine venture-backed start-up companies through the Group's venture capital arm, Hikma International Ventures and Developments LLC and Hikma Ventures Limited. During H1 2021, the venture arm increased investment in two existing ventures, invested in a new company and sold one investment. These investments are unlisted shares without readily determinable fair values that fall under level 3 valuation (Note 19), their value is measured at cost minus any impairment, and adjusted for observable price changes in orderly transactions for the identical or a similar investment from the same issuer.

**Others** mainly represent long term receivables and a sublease arrangement in US.

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## 10. Inventories

During H1 2021, the Group wrote down $29 million (H1 2020: $25 million) of inventories. This expense is included in cost of sales in the condensed consolidated interim income statement.

## 11. Trade and other receivables

| | 30 June 2021 $m | 31 December 2020 $m |
|---|---|---|
| | (Unaudited) | (Audited) |
| Trade receivables | 693 | 662 |
| Prepayments | 78 | 58 |
| VAT and sales tax recoverable | 36 | 35 |
| Employee advances | 2 | 1 |
| | 809 | 756 |

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

## 12. Cash and cash equivalents

| | 30 June 2021 $m | 31 December 2020 $m |
|---|---|---|
| | (Unaudited) | (Audited) |
| Cash at banks and on hand | 243 | 85 |
| Time deposits | 77 | 203 |
| Money market deposits | 2 | 35 |
| | 322 | 323 |

Cash and cash equivalents include highly liquid investments with maturities of three months or less which are convertible to known amounts of cash and are subject to insignificant risk of changes in value.

## 13. Other current assets

| | 30 June 2021 $m | 31 December 2020 $m |
|---|---|---|
| | (Unaudited) | (Audited) |
| Investment at FVTPL | 24 | 24 |
| Others | 11 | 22 |
| | 35 | 46 |

## 13. Other current assets continued

**Investments at FVTPL** represents the agreement the Group entered into with an asset management firm in 2015 to manage a $20 million portfolio of underlying debt instruments. The investment comprises a portfolio of assets that are managed by an asset manager and is measured at fair value; any changes in fair value go through the condensed consolidated income statement. These assets are classified as level 1 valuation (Note 19) as they are based on quoted prices in active markets.

**Others** balance at 30 June 2021, mainly represent compensation due from suppliers in relation to inventory price adjustment. At 31 December 2020, the balance includes an insurance compensation receivable of $10 million and revenue contract asset of $3 million.

## 14. Trade and other payables

| | 30 June 2021 $m | 31 December 2020 $m |
|---|---|---|
| | (Unaudited) | (Audited) |
| Trade payables | 226 | 279 |
| Accrued expenses | 145 | 175 |
| Other payables | 15 | 16 |
| | 386 | 470 |

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

## 15. Other current liabilities

| | 30 June 2021 $m | 31 December 2020 $m |
|---|---|---|
| | (Unaudited) | (Audited) |
| Contract liabilities | 183 | 162 |
| Co-development and earnout payment (Note 17 and 19) | 1 | 2 |
| Acquired contingent liability (Note 17) | 15 | 18 |
| Contingent consideration (Note 17 and 19) | 14 | 13 |
| Indirect rebates and other allowances | 71 | 74 |
| Others | 17 | 21 |
| | 301 | 290 |

**Contract liabilities:** the Group allows customers to return products within a specified period prior to and subsequent to the expiration date. In addition, free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as compensation for expired or returned goods.
**Indirect rebates and other allowances:** mainly represents rebates granted to healthcare authorities and other parties under contractual arrangements with certain indirect customers.

## 16. Financial debts

### Short-term financial debts

| | 30 June 2021 $m (Unaudited) | 31 December 2020 $m (Audited) |
|---|---|---|
| Bank overdrafts | 8 | 3 |
| Import and export financing[1] | 94 | 67 |
| Short-term loans | 30 | 47 |
| Current portion of long-term loans | 40 | 41 |
| | 172 | 158 |

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

### Long-term financial debts

| | 30 June 2021 $m (Unaudited) | 31 December 2020 $m (Audited) |
|---|---|---|
| Long-term loans | 224 | 242 |
| Long-term borrowings (Eurobond) | 492 | 491 |
| Less: current portion of long-term loans | (40) | (41) |
| Long-term financial loans | 676 | 692 |
| | | |
| Breakdown by maturity: | | |
| Within one year | 40 | 41 |
| In the second year | 53 | 48 |
| In the third year | 38 | 44 |
| In the fourth year | 35 | 36 |
| In the fifth year | 517 | 522 |
| In the sixth year | 22 | 21 |
| Thereafter | 11 | 21 |
| | 716 | 733 |

The loans are held at amortised cost.

Major arrangements entered into by the Group:

a) A syndicated revolving credit facility of $1,175 million was entered into on 27 October 2015. From the $1,175 million, $175 million matured on 24 December 2019, $130 million matured in January 2021 and the remaining $870 million was renewed until December 2023. At 30 June 2021 the facility has an outstanding balance of $nil (2020: $nil) and a $870 million unused available limit (2020: $1,000 million). The facility can be used for general corporate purposes

b) A ten-year $150 million loan from the International Finance Corporation was entered into on 21 December 2017. There was full utilisation of the loan in April 2020. Quarterly equal repayments of the long-term loan has commenced on 15 March 2021 with outstanding balance of $139 million (fair value of $138 million). The loan was used for general corporate purposes. The facility matures on 15 December 2027

## 16. Financial debts continued

c) Hikma issued a $500 million (carrying value of $492 million, and fair value of $522 million) 3.25%, five-year Eurobond on 9 July 2020 with a rating of (BBB-/Ba1) which is due in July 2025. The proceeds of the issuance were used for general corporate purposes

d) An eight-year $200 million loan from the International Finance Corporation and Managed Co-lending Portfolio program was entered into on 26 October 2020. There was no utilisation of the loan as of 30 June 2021. The facility matures on 15 September 2028 and can be used for general corporate purposes

### Interbank Offered Rates (IBORs) Reform

As at 30 June 2021, approximately 4.3% ($41 million) of the Group's utilised debt portfolio as well as $1,197 million of the Group's unutilised debt facilities, have USD LIBOR as the benchmark interest rate. The unutilised debt facilities relates mainly to the Group's syndicated revolving credit facility of $870 million and the IFC loan of $200 million. The Group has not identified any other significant IBOR exposures that are expected to be impacted by IBOR reform.

The Group is monitoring the market developments surrounding the IBOR reform. To date the Group have identified the need to amend the credit facilities, which reference USD LIBOR, in order that they reference an alternative reference rate once USD LIBOR is discontinued.

## 17. Other non-current liabilities

| | 30 June 2021 $m (Unaudited) | 31 December 2020 $m (Audited) |
|---|---|---|
| Contingent consideration (Note 15 and 19) | 58 | 76 |
| Acquired contingent liability (Note 15) | 72 | 80 |
| Co-development and earnout payment (Note 15 and 19) | 3 | 3 |
| Others | 12 | 5 |
| | 145 | 164 |

**Contingent consideration and acquired contingent liability** represent contractual liabilities to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones, and royalty payments based on future sales of certain products.

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## 18. Cash generated from operating activities

| | H1 2021 $m (Unaudited) | H1 2020 $m (Unaudited) |
|---|---|---|
| **Profit before tax** | 319 | 274 |
| Adjustments for: | | |
| Depreciation, amortisation, impairment charges/reversal and write-down of: | | |
| Property, plant and equipment | 39 | 34 |
| Intangible assets | (12) | (7) |
| Right-of-use of assets | 5 | 4 |
| Movement in provisions | 1 | 1 |
| Cost of equity-settled employee share scheme | 16 | 14 |
| Finance income | (30) | (5) |
| Interest and bank charges | 37 | 27 |
| Foreign exchange loss and net monetary hyperinflation impact | 16 | 4 |
| Changes in working capital: | | |
| Change in trade and other receivables | (63) | 53 |
| Change in other current assets | 11 | 1 |
| Change in inventories | 11 | (111) |
| Change in trade and other payables | (60) | (15) |
| Change in other current liabilities | 22 | 55 |
| Change in other non-current liabilities | - | (18) |
| **Cash flows from operating activities** | **312** | **311** |

## 19. Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following financial assets/liabilities are presented at their carrying values which approximates to their fair values:

- Cash at bank and on hand, time deposits and collateralised and restricted cash – due to the short-term maturities of these financial instruments and given that generally they have negligible credit risk, management considers their carrying amounts to be not significantly different from their fair values
- Short-term loans and overdrafts approximates to their fair values 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

## 19. Fair value of financial assets and liabilities continued

- Loans with fixed rates relate mainly to:
  - $500 million (carrying value of $492 million, and fair value of $522 million) Eurobond accounted for at amortised cost. The fair value is determined with reference to a quoted price in an active market as at the balance sheet date (Note 16).
  - A ten-year $150 million loan from the International Finance Corporation with outstanding balance of $139 million (fair value of $138 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.
- 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 determinations 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

Financial assets and liabilities that fall under Level 1 are:

- Investments at FVTPL which amounted to $24 million (Note 13)
- Money market deposits (Note 12)

Financial assets and liabilities that fall under Level 3 are:

- Co-development and earnout payment liabilities (Notes 15 and 17)
- Contingent consideration liability resulting from the acquisition of the Columbus business (Note 15 and 17)
- Investment at FVTOCI (Note 9)

The following table presents the changes in Level 3 items for H1 2021 and the year ended 31 December 2020:

| | Financial asset $m | Financial liability $m |
|---|---|---|
| **Balance at 1 January 2020** | 18 | 178 |
| Settled | - | (61) |
| Remeasurement of contingent consideration and other financial liability recognised in finance income | - | (38) |
| Unwinding of contingent consideration and other financial liability recognised in finance expense | - | 15 |
| Additions | 5 | - |
| Change in investments at FVTOCI | 2 | - |
| **Balance at 31 December 2020** | 25 | 94 |
| Settled | - | (1) |
| Remeasurement of contingent consideration recognised in finance income | - | (29) |
| Unwinding and remeasurement of contingent consideration and other financial liability recognised in finance expense | - | 12 |
| Additions | 1 | - |
| **Balance at 30 June 2021** | **26** | **76** |

## 19. Fair value of financial assets and liabilities continued

The critical areas of estimates in relation to the contingent consideration are the probabilities assigned to reaching the success-based milestones and management's estimate of future sales (Note 15 and 17).

If the future sales were 5% higher or lower, the fair value of the contingent consideration will increase/decrease by $5 million (Note 15 and 17).

If the probability assigned to reaching the success-based milestones were 5% higher or lower, the fair value of the contingent consideration will increase/decrease by $1 million (Note 15 and 17).

## 20. 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 $39 million (31 December 2020: $41 million) arising in the normal course of business. No provision for these liabilities has been made in these financial statements.

A contingent liability existed at the balance sheet date for a potential stamp duty obligation of $7 million (31 December 2020: $8 million) that may arise for a repayment of a loan by intercompany guarantors. It's not probable that the repayment will be made by the intercompany guarantors.

### Legal proceedings

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

Most of the claims involve highly complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of a loss, if any, being sustained and/or an estimate of the amount of any loss is difficult to ascertain. It is the Group's policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable.

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

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

## 20. Contingent liabilities continued

— Starting in June 2020, several complaints have been filed in the United States on behalf of putative classes of direct and indirect purchasers of Xyrem® against Hikma and other defendants. These complaints allege that Jazz Pharmaceuticals PLC and its subsidiaries entered into unlawful reverse payment agreements with each of the defendants, including Hikma, in settling patent infringement litigation over Xyrem®. The plaintiffs in these lawsuits seek treble damages and a permanent injunction. Hikma denies having engaged in conduct that would give rise to liability with respect to these lawsuits and is vigorously pursuing defence of these cases. At this point, management does not believe sufficient evidence exists to make any provision for this.

— Numerous complaints have been filed with respect to Hikma's sales and distribution of opioid products. Those complaints now total approximately 677 in number. These lawsuits have been filed against distributors, branded pharmaceuticals manufacturers, pharmacies, hospitals, generic pharmaceuticals manufacturers, individuals, and other defendants by a number of cities, counties, states, other governmental agencies and private plaintiffs in both state and federal courts. Most of the federal cases have been consolidated into a multidistrict litigation in the Northern District of Ohio. These cases assert in general that the defendants allegedly engaged in improper marketing and distribution of opioids and that defendants failed to develop and implement systems sufficient to identify suspicious orders of opioid products and prevent the abuse and diversion of such products. Plaintiffs seek a variety of remedies, including restitution, civil penalties, disgorgement of profits, treble damages, attorneys' fees and injunctive relief. Hikma denies having engaged in conduct that would give rise to liability with respect to these civil suits and is vigorously pursuing defense of these cases. At this point, management does not believe sufficient evidence exists to make any provision for this.

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

### Tax

In April 2019, the European Commission released its decision that certain tax exemptions offered by the UK authorities could constitute State Aid and where this is the case, the relevant tax will need to be paid to the UK tax authorities. The UK Government has subsequently appealed against this decision. In common with other UK headquartered international companies whose arrangements were in line with current UK CFC legislation, Hikma could have been affected by the outcome of this decision and had estimated the maximum potential liability to be approximately $2.4 million.

Following discussions and correspondence with HMRC on whether certain tax exemptions offered by the UK authorities could constitute State Aid pursuant to the April 2019 European Union decision, the UK tax authority has confirmed that Hikma is not a beneficiary of State Aid in accordance with the European Commission’s decision and the UK’s Controlled Foreign Company legislation. Hikma is awaiting formal letters of confirmation. As HMRC will not seek to impose charging notices in relation to State Aid, Hikma believes this no longer represents a contingent liability.

## 21. Related party balances and transactions

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