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Press Release

Hikma delivers strong 2023 performance and a positive outlook for 2024

London, 22 February 2024 – Hikma Pharmaceuticals PLC ('Hikma' or 'Group'), the multinational pharmaceutical company, today reports its audited results for the year ended 31 December 2023.

Riad Mishlawi, Chief Executive Officer of Hikma, said:

"Hikma delivered strong growth and made significant progress in 2023. All three of our businesses grew, delivering double digit Group revenue and operating profit growth with an impressive core EBITDA margin of 28%. Our results demonstrate momentum across each of our three businesses, with new product launches and partnerships continuing to expand our portfolio, including into more complex areas such as oncology.

Hikma has a resilient portfolio of diversified global businesses that are expanding to meet growing regional needs for a broad range of essential medicines. In 2023 we continued to invest for the future, strengthening our infrastructure and working closely with our customers. We have also evolved our strategy, focusing on execution and leveraging our leading market positions. I am excited about the many growth opportunities across all three of our businesses, which underpin my confidence for the future."

Reported results (statutory)	**2023 $ million**	2022 $ million	Change	Constant currency[1] change
Revenue	**2,875**	2,517	14%	15%
Operating profit	**367**	282	30%	34%
Profit attributable to shareholders	**190**	188	1%	7%
Cashflow from operating activities	**608**	530	15%	-
Basic earnings per share (cents)	**86**	84	2%	8%
Total dividend per share (cents)	**72**	56	29%	-

Core results[2] (underlying)	**2023 $ million**	2022 $ million	Change	Constant currency[1] change
Core revenue	**2,875**	2,517	14%	15%
Core operating profit	**707**	596	19%	20%
Core EBITDA[3]	**811**	695	17%	17%
Core profit attributable to shareholders	**492**	406	21%	23%
Core basic earnings per share (cents)	**223**	181	23%	25%

[1] Constant currency numbers in 2023 represent reported 2023 numbers translated using 2022 exchange rates, excluding price increases in the business resulting from the devaluation of the Egyptian and Sudanese pound and excluding the impact from hyperinflation accounting.

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

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

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Double digit revenue and profit growth

- Group revenue up 14% reflecting growth across all three businesses
- Core operating profit up 19% at a margin of 24.6%, driven by improving profitability in our Branded and Generics businesses. Reported operating profit up 30%, reflecting higher 2022 impairment charges, but after including the 2023 impact of a $129 million provision to cover the expected settlement amount for all opioid related cases in North America
- Group core EBITDA up 17% to $811 million at a margin of 28.2%
- Core profit attributable to shareholders up 21% and reported profit attributable to shareholders up 1%
- Cashflow from operating activities up 15% to $608 million primarily reflecting growth in operating profit
- $149 million invested in R&D (2022: $144 million), growing our pipeline of complex and specialty products
- Strong balance sheet with low leverage at 1.2x net debt to core EBITDA (31 December 2022: 1.5x)
- Full-year dividend of 72 cents per share, up from 56 cents per share in 2022. The Board intends to progressively increase Hikma's dividend, with a payout ratio in the range of 30% to 40% reflecting confidence in the long-term growth prospects for the Group

Growth in all three businesses

- Injectables[4]: revenue up 6% reflecting growth in all three geographies. Injectables core operating profit increased by 2% with a core operating margin of 36.9% (2022: 38.3%). Revenue and operating losses in our 503B compounding business are now reported in our Others segment[4]
- Branded: revenue up 3% (up 6% in constant currency) reflecting a good performance across the majority of our markets, offsetting the impact of halting our operations in Sudan. Core operating profit growth of 16% and a core operating margin of 23.8% (2022: 21.1%)
- Generics: revenue up 39% and core operating profit up 86% with a core operating margin of 20.5% (2022: 15.3%), reflecting good recovery in the base business and strong contribution from the authorised generic of sodium oxybate

Strategic updates

- Riad Mishlawi appointed CEO in September 2023, with Dr Bill Larkins appointed President of Injectables
- Added differentiated products to our MENA portfolio and enhanced our pipeline through a series of exclusive licensing agreements
- Expanded our Injectables capacity, adding new lines and technologies
- Strengthened our contract manufacturing pipeline in Generics with several new contract wins
- Completed the acquisition of part of the Akorn business through a bankruptcy process for $98 million, including manufacturing equipment and portfolio and pipeline products that will support our US businesses
- Halted operations in Sudan, which represented less than 3% of Group revenue in 2022, as a result of the ongoing conflict in the country. This resulted in $83 million of impairment and costs

2024 Group outlook

- Group revenue growth in the range of 4% to 6%
- Group core operating profit in the range of $660 million to $700 million

[4] During 2023, the Group has revised its Injectables operating segment. Previously, the 503B compounding business was reported under the Injectables segment and is now included within the Others segment. 503B compounding business' 2022 revenue of $1 million and operating loss of $9 million have therefore been reclassified to the Others segment. 2023 Others revenue was $21 million (2022: $14 million) with an operating loss of $9 million (2022: $6 million loss).

Further information:

A pre-recorded presentation will be available at www.hikma.com at 07:00 GMT. Hikma will also hold a live Q&A webinar at 12:00pm GMT, and a recording will be made available on the Company's website.

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

https://www.lsegissuerservices.com/spark/HikmaPharmaceuticals/events/dab4c916-711a-4167-82ae-d842bd1e7366

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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 45 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 North America, the Middle East and North Africa (MENA) and Europe, and we use our unique insight and expertise to transform cutting-edge science into innovative solutions that transform people's lives. We're committed to our customers, and the people they care for, and by thinking creatively and acting practically, we provide them with a broad range of branded and non-branded generic medicines. Together, our 9,100 colleagues are helping to shape a healthier world that enriches all our communities. We are a leading licensing partner, and through our venture capital arm, are helping bring innovative health technologies to people around the world. For more information, please visit: www.hikma.com

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

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STRATEGIC REVIEW

In 2023, we continued to deliver on our purpose of making high quality medicines accessible to those that need them. All three of our businesses grew, driven by new launches, partnerships and a focus on delivering more from our existing portfolio. Riad Mishlawi was appointed CEO during the year and under this new leadership, and with a refreshed, ambitious strategic focus, we are well placed for our next chapter of growth.

Good growth in all three businesses

At a group level, revenue increased 14% versus the prior year, with an increase in core operating profit of 19%. We delivered Group core EBITDA of $811 million at a margin of 28.2%.

Injectables

Our global Injectables business, which manufactures and supplies generic injectables medicines to hospitals across North America, Europe and MENA, grew revenue in 2023 by 6% at a core operating margin of 36.9%. We are the third largest generic injectable company by volume in the US[5] and have a portfolio of over 150 products. During the year, Dr Bill Larkins was appointed to run this business, following Riad Mishlawi's appointment as Group CEO.

We continued to launch new products across our markets, including 17 in the US and we were able to supply into shortage situations in the US and key European markets, leveraging the breadth of our portfolio. We experienced some supply and capacity constraints in the third quarter that are now fully resolved. New high speed lines in New Jersey and Portugal became fully operational during the second half of the year, strengthening our ability to capture growth opportunities going forward.

In Europe, as well as stepping into shortage situations, we are pleased with the continued progress in our newer markets. In MENA, we are performing very well, with our in-licenced biosimilar products and our own generic injectables both contributing to growth and helping us to offset the impact of halting of operations in Sudan.

Reflecting our intention to drive growth in 503B compounding, we have reallocated this business to the 'Others' segment. This reallocation will help to ensure a clear focus on its development as we continue to build this business over the next few years.

Branded

Our Branded business, which supplies branded generics and in-licensed patented products across the MENA region, grew revenue 3% and achieved an impressive 23.8% core operating margin. We have also recently become the second largest pharmaceutical company in the MENA region by sales[6].

These strong results were achieved despite the difficult decision to halt operations in Sudan in April due to the ongoing conflict. We also faced some currency headwinds due to the devaluation of the Egyptian Pound. Excluding this, on a constant currency basis, Branded revenue growth was 6%. The strong

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[5] IQVIA MAT December 2023, generic injectable volumes by eaches, excluding branded generics and Becton Dickinson.

[6] Based on internal analysis by Hikma using IQVIA MIDAS® Monthly value sales data for Kuwait, KSA, UAE, Jordan, Lebanon, Egypt, Tunisia, Algeria and Morocco, MAT Dec 2023, reflecting estimates of real-world activity. Copyright IQVIA. All rights reserved.

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margin performance reflects the improvement in product mix as we launch and grow products used to treat chronic illnesses, with a noteworthy performance from our oncology portfolio.

Generics

Generics, which supplies oral and other non-injectable generic and specialty products to the US retail market, had an exceptionally strong year, growing revenue 39% in 2023 at a core operating margin of 20.5%.

Our performance, particularly at the profit level, was driven by sales of the authorised generic of sodium oxybate, which we launched at the start of the year. The initial high gross margin for this product was lower in the second half and will reduce again in 2024 due to the terms of our settlement agreement. Generics' base business saw an easing of the significant price erosion experienced in 2022, as well as good contract wins across the portfolio. We have also launched several new products.

We continue to invest in our specialty portfolio and in 2023 saw good momentum for Kloxxado, our 8mg naloxone nasal spray. Contract manufacturing is also increasingly important to our Generics strategy and we had good contract wins during the year which will provide a steady revenue contribution and leverage our Columbus manufacturing facility.

Our growth strategy

Following the appointment of Riad Mishlawi as CEO, we have evolved our strategy to enhance our focus on making the most of available opportunities while driving continued operational efficiencies. Our strategic focus is centred around three core pillars: Strive for excellence, Diversify and differentiate and People and responsibility.

Strive for excellence: We already have a broad product portfolio, strong commercial capabilities, high-quality manufacturing facilities and an extensive network of global partners. We want to leverage these strengths to make sure we are capturing all the opportunities available to us. As we grow, we will continue to expand our manufacturing capabilities, optimise operational efficiencies and invest in new technologies. We will also leverage our capacity for contract manufacturing. We will maximise the potential of our products by deploying a more targeted commercial approach with customers to ensure we make full use of our world class portfolio.

Diversify and differentiate: Expanding our portfolio across our businesses and global markets continues to be a fundamental priority. Although generic medicine prices erode as competition increases, our pipeline of new products enables us to mitigate this while also benefitting our customers. We are expanding our R&D capabilities and investing in new projects to ensure that our pipeline reflects the future needs of our customers. This is complemented by strategic partnerships and acquisitions that bring complex products we are not able to develop in-house and enable us to partner with others to bring novel products to market. We also see potential to expand selectively into adjacent markets and businesses, for example via our sterile compounding business in the US, or portfolio expansion in Canada and new countries in Europe.

People and responsibility: Our people are the cornerstone of our company and without them, our products wouldn't be developed and launched, our plants wouldn't run and our customers wouldn't receive the vital medicines they need. Our culture is one of progress and belonging and we are cultivating this to help empower our people to find the best way of bringing success to Hikma and fulfilling the needs of our customers. From recruiting and retaining the best talent, to providing the best training we can, as well as fostering a workplace where everyone feels included and can perform at their best, our people will remain a central strength of Hikma.

This year, a new Leadership Council has been formed, to provide support to our Executive Committee and improve communications among leaders at every level of our organisation. This council is made up of twelve senior leaders across various disciplines and geographies.

Our broader responsibility agenda will now be embedded within our corporate strategy. While we have always been guided by acting responsibly, this should go hand-in-hand with how we go to market. Access to medicine, for example, is a material sustainability topic, and is central to our purpose. In 2023 we continued to increase the size of our medicine donation programme, donating $4.9 million worth of medicine (calculated using COGS), signifying our ambition to continue to expand disaster relief, support for vulnerable populations and emergency response. Managing our use of energy and water is important for minimising our impact on the environment and also ensures we are operating as efficiently as possible. We also continue to engage our procurement community and key suppliers to elevate awareness of relevant sustainability themes. Our outreach included suppliers that make up around 45% of Hikma's Scope 3 footprint. Finally, our focus on trust and quality is central to being a reliable supplier and minimising the risks around us. Across all of our sustainability topics, we work to ensure we are aligned with evolving regulations and reporting requirements.

Board change

Patrick Butler will step down as a Non-Executive Director, from close of business on 29 February 2024. This follows the disclosure in our 2022 Annual Report that, after standing down as Senior Independent Director and Chair of the Nomination and Governance Committee at the 2023 AGM, Patrick would stay on the Board as a non-independent, Non-Executive Director for up to one year, to aid the transition to a new CEO and support the transition of responsibilities to Victoria Hull as Hikma's new Senior Independent Director, stepping down no later than the AGM in 2024.

Subsequent event

On 1 February 2024, the Group reached an agreement in principle to resolve the opioid related cases brought against Hikma Pharmaceuticals USA Inc. by US states, their subdivisions, and tribal nations. These cases represent the vast majority of cases brought against Hikma related to the manufacture and sale of prescription opioid medications. The agreed upon settlement is not an admission of wrongdoing or legal liability. The Group booked a total provision of $129 million to cover the expected settlement amount for all related cases in North America. The provision is considered an adjusting post balance sheet event and is recognised in the consolidated financial statements for the year ended 31 December 2023.

2024 Outlook

We are confident that our strategy will continue to deliver growth in 2024.

We expect Group revenue to grow in the range of 4% to 6% and for core operating profit to be in the range of $660 million to $700 million. This is supported by all three of our businesses.

We expect Injectables revenue to grow in the range of 6% to 8%. We expect core operating margin to be in the range of 36% to 37%. We will leverage our increased capacity to capture growth opportunities, launch new products across our markets and continue to build momentum in new markets.

We expect Branded revenue to grow in the mid to high single-digits in constant currency, or low-single digits on a reported basis, and for reported core operating profit to be broadly in line with 2023. Our focus on building our portfolio of medicines used for chronic illnesses will continue to drive further momentum in this business.

We expect Generics revenue to grow in the range of 3% to 5%. We expect core operating margin to be in the mid-teens. We expect to deliver a good performance from our base business, supported by new launches and the continued strong performance of the authorised generic of sodium oxybate, albeit at a reduced margin due to the royalties payable. While these higher royalties will create a profit headwind, our outlook demonstrates the robustness of this business.

We expect Group core net finance expense to be around $91 million and the core effective tax rate to be in the range of 22% to 23%.

We expect Group capital expenditure to be in the range of $160 million to $180 million.

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FINANCIAL REVIEW

The financial review set out below summarises the reported and core[7] performance of the Hikma Group and our three main business segments, Injectables, Branded and Generics for the year ended 31 December 2023.

Group

	2023 $ million	2022 $ million	Change	Constant currency change
Revenue	**2,875**	2,517	14%	15%
Gross profit	**1,390**	1,238	12%	13%
Gross margin	***48.3%***	*49.2%*	*(0.9)pp*	*(0.9)pp*
Core gross profit	**1,407**	1,265	11%	12%
Core gross margin	***48.9%***	*50.3%*	*(1.4)pp*	*(1.2)pp*
Operating profit	**367**	282	30%	34%
Operating margin	***12.8%***	*11.2%*	*1.6pp*	*1.9pp*
Core operating profit	**707**	596	19%	20%
Core operating margin	***24.6%***	*23.7%*	*0.9pp*	*1.0pp*
Core EBITDA	**811**	695	17%	17%
Core EBITDA margin	***28.2%***	*27.6%*	*0.6pp*	*0.5pp*

Group revenue was up 14% reflecting growth in all three business. Group gross margin declined slightly primarily driven by shifting product and geographic mix in the Injectables business.

Group operating expenses were $1,023 million (2022: $956 million). Excluding adjustments related to the amortisation of intangible assets (other than software) of $88 million (2022: $92 million) and exceptional items and other adjustments of $235 million (2022: $195 million), Group core operating expenses were $700 million (2022: $669 million).

Selling, general and administrative (SG&A) expenses were $767 million (2022: $615 million). This includes a provision of $129 million related to an agreement in principle and provisions to resolve outstanding opioid-related cases in North America, which is considered an exceptional item. Core SG&A expenses were $544 million (2022: $509 million), up 7%, primarily reflecting investment in sales and marketing in the US and MENA.

Research and development (R&D) expenses were $149 million (2022: $144 million), representing 5% of Group core revenue (2022: 6%), as we continue to invest in adding more complex and differentiated products to our pipeline and expanding our portfolios across our markets.

Other net operating expenses were $75 million (2022: $192 million) primarily reflecting the impairment charge related to halting our operations in Sudan. Core other net operating expenses were $4 million (2022: $11 million), primarily comprising foreign exchange-related costs.

The increase in core operating profit by 19% and core operating margin to 24.6% were driven by the

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

strong performance of both Generics and Branded. Reported operating profit grew 30%, reflecting lower reported operating profit in 2022 resulting from higher 2022 impairment charges, but after including the 2023 impact of a $129 million provision to cover the expected settlement amount for all opioid related cases in North America.

Group revenue by business segment

	2023 $ million		2022 $ million	
Injectables	**1,203**	42%	1,140	45%
Branded	**714**	25%	691	27%
Generics	**937**	33%	672	27%
Others[8]	**21**	1%	14	1%
Total	**2,875**		2,517	

Group revenue by region

	2023 $ million		2022 $ million	
North America[9]	**1,749**	61%	1,433	57%
MENA	**909**	32%	866	34%
Europe and ROW[9]	**217**	8%	218	9%
Total	**2,875**		2,517	

[8] During 2023, the Group has revised its injectables operating segment. Previously, the 503B compounding business was reported under the Injectables segment and is now included within the Others segment. 503B compounding business' 2022 revenue of $1 million and operating loss of $9 million have therefore been reclassified to the Others segment.

[9] Canada is now included in North America (previously in Europe and Rest of World). Canada's 2022 sales of $18 million have therefore been reclassified to North America.

Injectables

	2023 $ million	2022[10] $ million	Change	Constant currency change
Revenue	**1,203**	1,140	6%	6%
Gross profit	**655**	625	5%	5%
Gross margin	***54.4%***	*54.8%*	*(0.4)pp*	*(0.3)pp*
Core gross profit	**657**	651	1%	1%
Core gross margin	***54.6%***	*57.1%*	*(2.5)pp*	*(2.4)pp*
Operating profit	**358**	354	1%	2%
Operating margin	***29.8%***	*31.1%*	*(1.3)pp*	*(1.0)pp*
Core operating profit	**444**	437	2%	2%
Core operating margin	***36.9%***	*38.3%*	*(1.4)pp*	*(1.2)pp*

Injectables revenue grew 6% in 2023, reflecting good growth in all three geographies, benefitting from the breadth of our global portfolio and advanced manufacturing capabilities. This helped to fully offset loss of sales from halting our operations in Sudan.

In North America[11] we are benefiting from good demand for our broad product portfolio, including for products in short supply, recent launches and a full contribution from the acquisitions of Custopharm and Teligent's Canadian assets. This more than offset increased competition on certain products.

In Europe and rest of the world (ROW) we are delivering good growth across all of our markets, benefitting from our growing portfolio of products as well as our short supply chain and lead times, enabling us to respond to shortages in Germany. We continue to make progress in new markets including France, Spain and the UK.

In MENA we achieved strong growth driven by good demand for our portfolio across most of our markets, including for our biosimilar products as we continue to launch into new markets.

Core gross profit grew 1% to $657 million and core gross margin was 54.6%, reflecting changes in geographic and product mix and some inflationary pressure.

Injectables operating profit, which includes a $14 million impairment charge and costs related to halting our operations in Sudan, grew 1%. Injectables core operating profit grew 2% and core operating margin was 36.9%. This reflects the change in gross profit, offset by good control of costs.

During the year, the Injectables business had 28 launches in North America, 25 in MENA and 67 in Europe and ROW. We submitted 55 filings to regulatory authorities across all markets. We further developed our portfolio through new licensing agreements.

[10] During 2023, the Group has revised its Injectables operating segment. Previously, the 503B compounding business was reported under the Injectables segment and is now included within the Others segment. 503B compounding business' 2022 revenue of $1 million and operating loss of $9 million have therefore been reclassified to the Others segment.

[11] Canada is now included in North America (previously in Europe and ROW). Canada's 2022 sales of $18 million have therefore been reclassified to North America.

Branded

	2023 $ million	2022 $ million	Change	Constant currency change
Revenue	**714**	691	3%	6%
Gross profit	**351**	350	0%	2%
Gross margin	***49.2%***	*50.7%*	*(1.5)pp*	*(1.8)pp*
Core gross profit	**366**	350	5%	8%
Core gross margin	***51.3%***	*50.7%*	*0.6pp*	*0.6pp*
Operating profit	**95**	136	(30)%	(24)%
Operating margin	***13.3%***	*19.7%*	*(6.4)pp*	*(5.7)pp*
Core operating profit	**170**	146	16%	19%
Core operating margin	***23.8%***	*21.1%*	*2.7pp*	*2.6pp*

Our Branded business grew revenue 3% on a reported basis and 6% in constant currency. This reflects a good performance across most of our markets, enabling us to fully offset the loss of sales resulting from halting our operations in Sudan. We also saw strong demand for medicines focused on chronic illnesses, particularly our growing oral oncology portfolio.

Core gross profit grew and core gross margin improved to 51.3%, reflecting an improvement in product mix, driven by our focus on building a portfolio of treatments for chronic illnesses.

Reported operating profit, which includes a $69 million impairment charge and cost in relation to halting our operations in Sudan, declined 30%. Core operating profit grew 16% and core operating margin expanded to 23.8%. This reflects the improvement in core gross profit, which more than offset the negative foreign exchange impact related to the currency devaluation in Egypt. On a reported basis, operating profit was down due to the impairment we took on our Sudanese business where we are unable to operate due to the ongoing conflict.

During the year, the Branded business had 32 launches and submitted 47 filings to regulatory authorities. Revenue from in-licensed products represented 29% of Branded revenue (2022: 29%)[12].

[12] Hikma now owns the rights for three products that were previously under-licensed. Revenue from these products have been excluded from this calculation

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Generics

	2023 $ million	2022 $ million	Change
Revenue	**937**	672	39%
Gross profit	**387**	265	46%
Gross margin	***41.3%***	*39.4%*	*1.9pp*
Core gross profit	**387**	266	45%
Core gross margin	***41.3%***	*39.6%*	*1.7pp*
Operating profit	**147**	(117)	226%
Operating margin	***15.7%***	*(17.4)%*	*33.1pp*
Core operating profit	**192**	103	86%
Core operating margin	***20.5%***	*15.3%*	*5.2pp*

Revenue in our Generics business grew 39% in 2023, driven by good volume growth in our base business, an improved pricing environment, and an exceptionally strong contribution from the launch of the authorised generic of sodium oxybate.

The increase in Generics core gross profit and margin expansion to 41.3% was primarily a result of improved product mix and the strong profitability of the authorised generic of sodium oxybate in the first six months of the year. Royalties payable on this product increased in the second half due to the terms of our settlement agreement.

Generics core operating profit was up 86%, reflecting growth in gross profit. This strong profit contribution enabled us to invest back into this business, particularly in sales and marketing, as we continue to build our specialty business, and in R&D. Core operating margin was 20.5%.

In 2023, the Generics business launched five products and submitted five filings to regulatory authorities.

Other businesses

Other businesses, which now includes our 503B compounding business, as well as Arab Medical Containers (AMC), a manufacturer of plastic specialised medicinal sterile containers, and International Pharmaceuticals Research Centre (IPRC), which conducts bio-equivalency studies, contributed revenue of $21 million in 2023 (2022: $14 million[13]) with an operating loss of $9 million (2022: $6 million loss). We are making good progress in growing our compounding business and continue to invest in building our manufacturing and commercial capabilities.

Research and development

Our investment in R&D and business development enables us to continue expanding the Group's product portfolio. During 2023, we had 157 new launches and received 128 approvals. To ensure the continuous development of our product pipeline, we submitted 107 regulatory filings.

[13] During 2023, the Group has revised its Others operating segment. Previously, the 503B compounding business was reported under the Injectables segment and is now included within the Others segment. 503B compounding business' 2022 revenue of $1 million and operating loss of $9 million have therefore been reclassified to the Others segment.

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	2023 submissions[14]	2023 approvals[14]	2023 launches[14]
Injectables	55	87	120
North America	27	31	28
MENA	21	23	25
Europe & ROW	7	33	67
Branded	47	37	32
Generics	5	4	5
Total	**107**	**128**	**157**

Net finance expense

	2023 $ million	2022 $ million	Change	Constant currency change
Finance income	**7**	29	(76)%	(76)%
Finance expense	**95**	81	17%	18%
Net finance expense	**88**	52	69%	70%
Core finance income	**7**	3	133%	133%
Core finance expense	**90**	77	17%	17%
Core net finance expense	**83**	74	12%	12%

Core net finance expense increased to $83 million (2022: $74 million), reflecting the increase in interest rates during 2023.

We expect core net finance expense to be around $91 million in 2024[15].

Profit before tax

Reported profit before tax increased to $281 million (2022: $233 million), primarily due to the good growth in all three businesses, partially offset by the opioid legal settlement provision. Excluding exceptional items and other adjustments, core profit before tax was $626 million (2022: $520 million), up 20%.

Tax

The Group incurred a reported tax expense of $89 million (2022: $42 million) and a reported effective tax rate of 31.7% (2022: 18.0%). Excluding exceptional items and other adjustments, Group core tax expense was $131 million (2022: $111 million). The core effective tax rate was 20.9% (2022: 21.3%).

We expect the Group core effective tax rate to be in the range of 22% to 23% in 2024.

Profit attributable to shareholders

Profit attributable to shareholders was $190 million (2022: $188 million). Core profit attributable to shareholders increased by 21% to $492 million (2022: $406 million).

[14] Pipeline projects submitted, approved and launched by country in 2023.
[15] Based on the composition of the Group's net debt portfolio as at 31 December 2023, a one percentage point increase/decrease in interest rates would result in $3 million decrease/increase in net finance cost per year (2022: $4 million increase/decrease).

Earnings per share

	2023	2022	Change	Constant currency change
Basic earnings per share (cents)	**86**	84	2%	8%
Core basic earnings per share (cents)	**223**	181	23%	25%
Diluted earnings per share (cents)	**85**	84	2%	8%
Core diluted earnings per share (cents)	**221**	180	23%	25%
Weighted average number of Ordinary Shares for the purposes of basic earnings	**220,862,103**	223,728,472	-	-
Weighted average number of Ordinary Shares for the purposes of diluted earnings	**222,368,714**	224,908,809	-	-

The increase in core earnings per share reflects the increase in profit attributable to shareholders as a result of the strong performance in all three businesses.

Dividend

The Board is recommending a final dividend of 47 cents per share (2022: 37 cents per share) bringing the total dividend for the full year to 72 cents per share (2022: 56 cents per share). This equates to a payout ratio of around 32%, which is above our historical range of 20% to 30%. We intend to progressively increase our dividend, with a payout ratio in the range of 30% to 40%, reflecting the Board's confidence in the long-term growth prospects for the Group. The proposed dividend will be paid on 3 May 2024 to eligible shareholders on the register at the close of business on 22 March 2024, subject to approval at the Annual General Meeting on 25 April 2024.

Net cash flow, working capital and net debt

The Group generated operating cash flow of $608 million (2022: $530 million). This change primarily reflects the increase in operating profit.

Group working capital days were 243 at 31 December 2023. Compared to the position on 31 December 2022, Group working capital days decreased by 8 days from 251 days, due primarily to an improvement in receivable days.

Capital expenditure was $169 million (2022: $138 million). In the US, $46 million was spent on upgrades, new technologies and capacity expansion across our Cherry Hill, Dayton, and Columbus sites. In MENA, $96 million was spent strengthening and expanding manufacturing capabilities, including two ongoing greenfield Injectables production sites in Algeria and Morocco, expanding our site in Algeria and a new land purchase in Saudi Arabia. In Europe, we spent $27 million enhancing our manufacturing capabilities, including new filling lines in Portugal and Italy and adding lyophilisation capacity in Portugal. We expect Group capital expenditure to be in the range of $160 million to $180 million in 2024.

The Group's total debt was $1,191 million at 31 December 2023 (31 December 2022: $1,283 million).

The Group's cash balance at 31 December 2023 was $215 million (31 December 2022: $270 million).

The Group's net debt (excluding co-development agreements and contingent liabilities) was $976 million at 31 December 2023 (31 December 2022: $1,013 million). We continue to have a healthy balance sheet, with a net debt to core EBITDA ratio of 1.2x (31 December 2022: 1.5x).

Balance sheet

Net assets at 31 December 2023 were $2,209 million (31 December 2022: $2,148 million). Net current assets were $761 million (31 December 2022: $922 million).

The Board

The Board of Directors that served during the twelve-month period to 31 December 2023 and their respective responsibilities can be found on the Leadership team section of www.hikma.com.

Cautionary statement

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

Definitions

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

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

Core results

Reported results represent the Group's overall performance. However, these results can include one-off or non-cash items which are excluded when assessing the underlying performance of the Group. Our core results exclude the exceptional items and other adjustments set out in Note 5 in this release.

Group gross profit	**2023 $million**	2022 $million
Core gross profit	**1,407**	**1,265**
Provision against inventory related to halted operations in Sudan	(17)	-
Unwinding of acquisition related inventory step-up	-	(27)
Reported gross profit	**1,390**	**1,238**

Group operating profit	**2023 $million**	2022 $million
Core operating profit	**707**	**596**
Provision related to expected North America opioid legal settlement	(129)	-
Impairment and cost related to halted operations in Sudan	(83)	-
Intangible assets amortisation other than software	(88)	(92)
Reorganisation costs	-	(14)
Impairment of property, plant and equipment and right-of-use-assets	(8)	(80)
Impairment of intangible assets	(32)	(101)
Unwinding of acquisition related inventory step-up	-	(27)
Reported operating profit	**367**	**282**

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 2023 represent reported 2023 numbers translated using 2022 exchange rates, excluding price increases in the business resulting from the devaluation of the Egyptian and Sudanese pound and excluding the impact from hyperinflation accounting.

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Core EBITDA

Core EBITDA is earnings before interest, tax, depreciation, amortisation, impairment charges and unwinding of acquisition related inventory step-up, adjusted for exceptional items and other adjustments.

	2023 $ million	2022 $ million
Reported operating profit	**367**	**282**
Depreciation and impairment charges/reversals in relation to property, plant and equipment	110	157
Amortisation and impairment charges/reversals in relation to intangible assets	131	202
Depreciation and impairment charges/reversals in relation to right-of-use assets	18	13
Unwinding of acquisition related inventory step-up	-	27
Provision related to expected North America opioid legal settlement	129	-
Provision against inventory related to halted operations in Sudan	17	-
Impairment charge on financial assets	29	-
Impairment charge on other current assets	2	-
Cost from halted operations in Sudan	8	-
Reorganisation costs	-	14
Core EBITDA	**811**	**695**

Working capital days

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

Group net debt

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

Group net debt	**31 Dec 2023 $ million**	31 Dec 2022 $ million
Short-term financial debts	(150)	(139)
Short-term leases liabilities	(11)	(9)
Long-term financial debts	(975)	(1,074)
Long-term leases liabilities	(55)	(61)
Total debt	**(1,191)**	**(1,283)**

Cash and cash equivalents	205	270
Restricted cash	10	-
Net debt	**(976)**	**(1,013)**

Forward looking statements

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

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

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

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

Principal risks and uncertainties

The Group faces risks from a range of sources that could have a material impact on our financial commitments and ability to trade in the future. The principal risks are determined via robust assessment considering our risk context by the Board of Directors with input from executive management. The principal risks facing the company have not materially changed over the year, although the risks and uncertainties of operating in the complex and diverse MENA region were highlighted by the conflict in Sudan, ongoing economic challenges in Egypt, and raised geopolitical tensions. In contrast, the agreement in principle to resolve the majority of the opioid related cases brought against the company has reduced exposure to litigation. The principal risks are set out in the 2023 annual report on pages 71 – 74, which will be available in March 2024. The Board recognises that certain risk factors that influence the principal risks are outside of the control of management. The Board is satisfied that the principal risks are being managed appropriately and consistently with the target risk appetite. The set of principal risks should not be considered as an exhaustive list of all the risks the Group faces.

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Hikma Pharmaceuticals PLC
Consolidated income statement
For the year ended 31 December 2023

	Note	2023 Core results $m	2023 Exceptional items and other adjustments (Note 5) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results $m
Revenue	3	**2,875**	**-**	**2,875**	2,517	-	2,517
Cost of sales		**(1,468)**	**(17)**	**(1,485)**	(1,252)	(27)	(1,279)
Gross profit/(loss)		**1,407**	**(17)**	**1,390**	1,265	(27)	1,238
Selling, general and administrative expenses		**(544)**	**(223)**	**(767)**	(509)	(106)	(615)
Impairment loss on financial assets, net		**(3)**	**(29)**	**(32)**	(5)	-	(5)
Research and development expenses		**(149)**	**-**	**(149)**	(144)	-	(144)
Other operating expenses		**(9)**	**(71)**	**(80)**	(25)	(181)	(206)
Other operating income		**5**	**-**	**5**	14	-	14
Total operating expenses		**(700)**	**(323)**	**(1,023)**	(669)	(287)	(956)
Operating profit/(loss)	4	**707**	**(340)**	**367**	596	(314)	282
Finance income		**7**	**-**	**7**	3	26	29
Finance expense		**(90)**	**(5)**	**(95)**	(77)	(4)	(81)
Gain/(loss) from investment at fair value through profit or loss (FVTPL)		**2**	**-**	**2**	(2)	-	(2)
Gain from investment divestiture, net		**-**	**-**	**-**	-	5	5
Profit/(loss) before tax		**626**	**(345)**	**281**	520	(287)	233
Tax	6	**(131)**	**42**	**(89)**	(111)	69	(42)
Profit/(loss) for the year		**495**	**(303)**	**192**	409	(218)	191
Attributable to:							
Non-controlling interests		**3**	**(1)**	**2**	3	-	3
Equity holders of the parent		**492**	**(302)**	**190**	406	(218)	188
Earnings per share (cents)							
Basic	8	**223**		**86**	181		84
Diluted	8	**221**		**85**	180		84

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Hikma Pharmaceuticals PLC
Consolidated statement of comprehensive income
For the year ended 31 December 2023

	2023 Core results $m	**2023 Exceptional items and other adjustments (Note 5) $m**	**2023 Reported results $m**	2022 Core results $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results $m
– **Profit/(loss) for the year**	**495**	**(303)**	**192**	409	(218)	191
– **Other comprehensive income/(expense)**						
– **Items that may subsequently be reclassified to the consolidated income statement:**						
Currency translation and hyperinflation movement	**(3)**	**-**	**(3)**	(87)	-	(87)
Deferred tax on currency translation	**1**	**-**	**1**	-	-	-
Reclassification of translation gain on disposal of subsidiary	**-**	**-**	**-**	-	(8)	(8)
– **Items that will not subsequently be reclassified to the consolidated income statement:**						
Change in investments at fair value through other comprehensive income (FVTOCI)	**(13)**	**-**	**(13)**	(8)	-	(8)
– **Total other comprehensive expense for the year**	**(15)**	**-**	**(15)**	(95)	(8)	(103)
– **Total comprehensive income/(expense) for the year**	**480**	**(303)**	**177**	314	(226)	88
Attributable to:						
Non-controlling interests	**2**	**-**	**2**	-	-	-
– **Equity holders of the parent**	**478**	**(303)**	**175**	314	(226)	88
	480	**(303)**	**177**	314	(226)	88

Hikma Pharmaceuticals PLC
Consolidated balance sheet
At 31 December 2023

	Note	2023 $m	2022 $m
– Non-current assets			
Goodwill	9	**388**	389
Other intangible assets	9	**712**	735
Property, plant and equipment	10	**1,096**	1,024
Right-of-use assets		**45**	57
Investment in joint venture		**10**	10
Deferred tax assets		**226**	192
Financial and other non-current assets		**103**	65
		2,580	2,472
– Current assets			
Inventories		**891**	776
Income tax receivable		**49**	32
Trade and other receivables	11	**824**	809
Cash and cash equivalents		**205**	270
Other current assets		**120**	110
Assets classified as held for sale/distribution		**11**	2
		2,100	1,999
– Total assets		**4,680**	4,471
– Current liabilities			
Short-term financial debts	12	**150**	139
Lease liabilities		**11**	9
Trade and other payables		**568**	476
Income tax payable		**74**	73
Provisions	13	**152**	32
Other current liabilities		**384**	348
		1,339	1,077
– Net current assets		**761**	922
– Non-current liabilities			
Long-term financial debts	14	**975**	1,074
Lease liabilities		**55**	61
Deferred tax liabilities		**25**	19
Provisions	13	**7**	-
Other non-current liabilities		**70**	92
		1,132	1,246
– Total liabilities		**2,471**	2,323
– Net assets		**2,209**	2,148
– Equity			
Share capital		**40**	40
Share premium		**282**	282
Other reserves		**(282)**	(265)
Translation reserve related to assets classified as held for distribution		**-**	(14)
Retained earnings		**2,158**	2,092
– Equity attributable to equity holders of the parent		**2,198**	2,135
Non-controlling interests		**11**	13
– Total equity		**2,209**	2,148

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Hikma Pharmaceuticals PLC

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Note	Share capital	Share premium	Other reserves				Translation reserve related to assets classified as held for distribution	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
				Merger and revaluation reserves	Translation reserve	Capital redemption reserve	Total other reserves					
		$m	$m	$m	$m	$m	$m	$m	$m	$m	$m	$m
Balance at 1 January 2022		42	282	164	(224)	-	**(60)**	-	2,189	**2,453**	14	**2,467**
Profit for the year		-	-	-	-	-	**-**	-	188	**188**	3	**191**
Change in investments at fair value through other comprehensive income (FVTOCI)		-	-	-	-	-	**-**	-	(8)	**(8)**	-	**(8)**
Currency translation and hyperinflation movement		-	-	-	(84)	-	**(84)**	-	-	**(84)**	(3)	**(87)**
Reclassification of translation gains on disposal of subsidiary		-	-	-	(8)	-	**(8)**	-	-	**(8)**	-	**(8)**
Total comprehensive income for the year		**-**	**-**	**-**	**(92)**	**-**	**(92)**	**-**	**180**	**88**	**-**	**88**
Transfer of merger reserve		-	-	(129)	-	-	**(129)**	-	129	**-**	-	**-**
Issue of Ordinary Bonus Share		1,746	-	-	-	-	**-**	-	(1,746)	**-**	-	**-**
Cancellation of Ordinary Bonus Share		(1,746)	-	-	-	-	**-**	-	1,746	**-**	-	**-**
Cost of equity-settled employee share scheme		-	-	-	-	-	**-**	-	22	**22**	-	**22**
Dividends paid	7	-	-	-	-	-	**-**	-	(125)	**(125)**	(3)	**(128)**
Ordinary Shares purchased and cancelled		(2)	-	-	-	2	**2**	-	(300)	**(300)**	-	**(300)**
Shares buyback transaction cost		-	-	-	-	-	**-**	-	(3)	**(3)**	-	**(3)**
Other comprehensive income accumulated in equity related to assets classified as held for distribution		-	-	-	14	-	**14**	(14)	-	**-**	-	**-**
Acquisition of subsidiaries		-	-	-	-	-	**-**	-	-	**-**	2	**2**
Balance at 31 December 2022 and 1 January 2023		**40**	**282**	**35**	**(302)**	**2**	**(265)**	**(14)**	**2,092**	**2,135**	**13**	**2,148**
Profit for the year		-	-	-	-	-	**-**	-	190	**190**	2	**192**
Change in investments at fair value through other comprehensive income (FVTOCI)		-	-	-	-	-	**-**	-	(13)	**(13)**	-	**(13)**
Currency translation and hyperinflation movement		-	-	-	(3)	-	**(3)**	-	-	**(3)**	-	**1**
Deferred tax on currency translation		-	-	-	-	-	**-**	-	1	**1**	-	**1**
Total comprehensive income for the year		**-**	**-**	**-**	**(3)**	**-**	**(3)**	**-**	**178**	**175**	**2**	**177**
Cost of equity-settled employee share scheme		-	-	-	-	-	**-**	-	25	**25**	-	**25**
Dividends paid	7	-	-	-	-	-	**-**	-	(137)	**(137)**	(4)	**(141)**
Other comprehensive income accumulated in equity related to assets no longer classified as held for distribution1		-	-	-	(14)	-	**(14)**	14	-	**-**	-	**-**
Balance at 31 December 2023		**40**	**282**	**35**	**(319)**	**2**	**(282)**	**-**	**2,158**	**2,198**	**11**	**2,209**

1. Translation reserve related to assets classified as held for distribution was reclassified to other reserves as the liquidation of Pharma Ixir Co. Ltd, one of the subsidiaries in Sudan, is no longer expected to be completed within twelve months because of the ongoing conflict in the country.

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Hikma Pharmaceuticals PLC
Consolidated cash flow statement
For the year ended 31 December 2023

	Note	2023 $m	2022 $m
– **Cash flows from operating activities**			
Cash generated from operations	15	**737**	585
Income taxes paid		**(131)**	(103)
Income taxes received		**2**	48
– **Net cash inflow from operating activities**		**608**	530
– **Cash flow from investing activities**			
Purchase of property, plant and equipment		**(169)**	(138)
Proceeds from disposal of property, plant and equipment		**18**	1
Purchase of intangible assets		**(35)**	(87)
Proceeds from disposal of intangible assets		**-**	9
Additions to investments at FVTOCI		**(27)**	(15)
Proceeds from sale of investment at FVTOCI		**1**	-
Acquisition of businesses, net of cash acquired	16	**(98)**	(373)
Advance payment related to non-financial assets		**(23)**	-
Cash loss on disposal of subsidiary		**-**	(1)
Payments of contingent consideration liability		**(7)**	(6)
Interest income received		**7**	3
– **Net cash outflow from investing activities**		**(333)**	(607)
– **Cash flow from financing activities**			
Proceeds from issue of long-term financial debts		**778**	1,401
Repayment of long-term financial debts		**(841)**	(962)
Proceeds from short-term financial debts		**437**	380
Repayment of short-term financial debts		**(467)**	(363)
Repayment of lease liabilities		**(10)**	(9)
Dividends paid	7	**(137)**	(125)
Distributions to non-controlling interests		**(4)**	(3)
Interest and bank charges paid		**(82)**	(68)
Increase in restricted cash		**(10)**	-
Revolving credit facility upfront fees paid		**-**	(5)
Share buyback		**-**	(300)
Share buyback transaction costs		**-**	(3)
– Payments of co-development and earnout payment agreement		**(1)**	(1)
– **Net cash outflow from financing activities**		**(337)**	(58)
– **Net decrease in cash and cash equivalents**		**(62)**	(135)
Cash and cash equivalents at beginning of year		**270**	426
– Foreign exchange translation movements		**(3)**	(21)
Cash and cash equivalents at end of year		**205**	270

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Hikma Pharmaceuticals PLC
Notes to the consolidated financial statements

1. Accounting policies

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

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

Basis of preparation
Hikma Pharmaceuticals PLC's consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The consolidated financial statements also fully comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

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

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

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

The presentational currency of the Group's consolidated financial statements is the US dollar as the majority of the Group's business is conducted in US dollars.

The financial information does not constitute the Company's statutory accounts for the years to 31 December 2023 or 2022 but is derived from those accounts. The auditors have reported on those accounts and their report (i) was unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for the year to 31 December 2023 or 31 December 2022.

Adoption of new and revised standards
The following new and revised standards and interpretations have been issued and are effective for annual periods beginning on 1 January 2023.

IFRS 17 (New Standard)	Insurance Contracts
IAS 1 (Amendments)	Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - disclosure of accounting policies
IAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting estimates
IAS 12 (Amendments)	Income Taxes – deferred tax related to assets and liabilities arising from a single transaction
IAS 12 (Amendments)	Income Taxes – International Tax Reform — Pillar Two Model Rules

IAS 1 amendments had an impact on the Group's disclosures of accounting policies, but did not impact the measurement, recognition or presentation of the consolidated financial statements. The other new and revised standards and interpretations had no significant impact on the consolidated financial statements but may impact the accounting for future transactions and arrangements.

The standards and interpretations that had been issued but were not mandatory for annual reporting periods ending on 31 December 2023 were not early adopted. The Group doesn't expect any significant impact from applying these standards and interpretations.

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

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

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

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

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

Intangible assets
Intangible assets are measured at cost, less any accumulated amortisation and impairment losses. The assets other than goodwill are amortised on a straight-line basis and the amortisation expense is recognised in the selling, general and administrative expenses.

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

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

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

Principal intangible assets are:

(a) Goodwill

(b) Product related intangibles:

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

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

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

(d) Other identified intangibles are:

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

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

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

2. Going concern

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

Financial covenants are suspended while the Group retains its investment grade status from two rating agencies[1]. As of 31 December 2023, the Group's investment grade rating was affirmed by S&P and Fitch.

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

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3. Revenue

Business and geographical markets

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

Year ended 31 December 2023	**Injectables $m**	**Generics $m**	**Branded $m**	**Others $m**	**Total $m**
North America	**808**	**937**	**-**	**4**	**1,749**
Middle East and North Africa	**195**	**-**	**703**	**11**	**909**
Europe and rest of the world	**189**	**-**	**11**	**6**	**206**
United Kingdom	**11**	**-**	**-**	**-**	**11**
	1,203	**937**	**714**	**21**	**2,875**

Year ended 31 December 2022 (revised)	Injectables[2] $m	Generics $m	Branded $m	Others[2] $m	Total $m
North America[1]	778	672	-	1	1,451
Middle East and North Africa	178	-	681	7	866
Europe and rest of the world	176	-	10	6	192
United Kingdom	8	-	-	-	8
	1,140	672	691	14	2,517

1. Canada is now included in North America (previously in Europe and rest of world). Canada's 2022 revenue of $18 million has therefore been reclassified to North America
2. During 2023, the Group has revised its Injectables operating segment. Previously, the 503B compounding business was reported under the Injectables segment and is now included within the Others segment. 503B compounding business 2022 revenue of $1 million has therefore been reclassified to the Others segment

The top selling markets are shown below:

	2023 $m	2022 $m
United States	**1,726**	1,433
Saudi Arabia	**261**	240
Algeria	**189**	132
Egypt	**93**	115
	2,269	1,920

In 2023, included in revenue arising from the Generics and Injectables segments are sales the Group made to three wholesalers in the US, each accounting for equal to or greater than 10% of the Group's revenue: $370 million (13% of Group revenue), $365 million (13% of Group revenue) and $278 million (10% of Group revenue). In 2022, revenue included sales made to three wholesalers: $361 million (14% of Group revenue), $330 million (13% of Group revenue) and $251 million (10% of Group revenue), respectively.

The following table provides contract balances related to revenue:

	2023 $m	2022 $m
Net trade receivables (Note 11)	**789**	777
Contract and refund liabilities	**179**	193

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

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

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4. Business segments

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

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

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

Injectables	2023 Core results $m	2023 Exceptional items and other adjustments (Note 5) $m	2023 Reported results $m	2022 Core results (revised)[2] $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results (revised)[2] $m
Revenue	1,203	-	1,203	1,140	-	1,140
Cost of sales	(546)	(2)	(548)	(489)	(26)	(515)
Gross profit	657	(2)	655	651	(26)	625
Total operating expenses	(213)	(84)	(297)	(214)	(57)	(271)
Segment result	444	(86)	358	437	(83)	354

Branded	2023 Core results $m	2023 Exceptional items and other adjustments (Note 5) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results $m
Revenue	714	-	714	691	-	691
Cost of sales	(348)	(15)	(363)	(341)	-	(341)
Gross profit	366	(15)	351	350	-	350
Total operating expenses	(196)	(60)	(256)	(204)	(10)	(214)
Segment result	170	(75)	95	146	(10)	136

Generics	2023 Core results $m	2023 Exceptional items and other adjustments (Note 5) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results $m
Revenue	937	-	937	672	-	672
Cost of sales	(550)	-	(550)	(406)	(1)	(407)
Gross profit	387	-	387	266	(1)	265
Total operating expenses	(195)	(45)	(240)	(163)	(219)	(382)
Segment result	192	(45)	147	103	(220)	(117)

Others[1]	2023 Core results $m	2023 Exceptional items and other adjustments (Note 5) $m	2023 Reported results $m	2022 Core results (revised)[2] $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results (revised)[2] $m
Revenue	21	-	21	14	-	14
Cost of sales	(24)	-	(24)	(15)	-	(15)
Gross profit	(3)	-	(3)	(1)	-	(1)
Total operating expenses	(6)	-	(6)	(5)	-	(5)
Segment result	(9)	-	(9)	(6)	-	(6)

1. Others mainly comprises Arab Medical Containers LLC, International Pharmaceutical Research Centre LLC and the 503B compounding business
2. During 2023, the Group has revised its Injectables operating segment. Previously, the 503B compounding business was reported under the Injectables segment and is now included within the Others segment. The 503B compounding business 2022 revenue of $1 million and operating loss of $9 million have therefore been reclassified to the Others segment

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Group	2023 Core results $m	2023 Exceptional items and other adjustments (Note 5) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results $m
Segments' results	**797**	**(206)**	**591**	680	(313)	367
Unallocated expenses[1]	**(90)**	**(134)**	**(224)**	(84)	(1)	(85)
Operating profit/(loss)	**707**	**(340)**	**367**	596	(314)	282
Finance income	**7**	**-**	**7**	3	26	29
Finance expense	**(90)**	**(5)**	**(95)**	(77)	(4)	(81)
Gain/(loss) from investment at fair value through profit or loss (FVTPL)	**2**	**-**	**2**	(2)	-	(2)
Gain from investment divestiture, net	**-**	**-**	**-**	-	5	5
Profit/(loss) before tax	**626**	**(345)**	**281**	520	(287)	233
Tax	**(131)**	**42**	**(89)**	(111)	69	(42)
Profit/(loss) for the year	**495**	**(303)**	**192**	409	(218)	191
Attributable to:						
Non-controlling interests	**3**	**(1)**	**2**	3	-	3
Equity holders of the parent	**492**	**(302)**	**190**	406	(218)	188

1. In 2023, unallocated expenses mainly comprise provision for legal settlements (Notes 5, 13 and 18), employee costs, third-party professional fees, IT and travel expenses

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

	2023 $m	2022 (restated)[4] $m
North America	**1,301**	1,305
US	**36**	37
Canada[3]	**1,337**	1,342
Middle East and North Africa		
Jordan	**348**	349
Algeria	**104**	85
Morocco	**89**	76
Saudi Arabia	**71**	51
Others	**75**	97
	687	658
Europe and rest of the world		
Portugal	**147**	133
Germany	**42**	40
Others[3]	**47**	22
	236	195
United Kingdom	**11**	20
	2,271	2,215

2. Non-current assets exclude deferred tax assets, investments at FVTOCI, restricted cash and other financial assets
3. Canada is now included in North America (previously in Europe and rest of the world). Canada's 2022 non-current assets of $37 million have therefore been reclassified to North America
4. 2022 numbers have been restated to add investment in joint venture to the relevant geographical area

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5. Exceptional items and other adjustments

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

		Injectables $m	Branded $m	Generics $m	Unallocated $m	Total $m
Impairment and cost in relation to halted operations in Sudan	[1]	(14)	(69)	-	-	(83)
Provision for legal settlements	SG&A	-	-	-	(129)	(129)
Intangible assets amortisation other than software	SG&A	(47)	(6)	(35)	-	(88)
Impairment charge on intangible assets	Other operating expenses	(18)	-	(9)	(5)	(32)
Impairment charge on right-of-use assets and property, plant and equipment	Other operating expenses	(7)	-	(1)	-	(8)
Remeasurement of contingent consideration and other financial liability	Finance expense	-	-	-	(2)	(2)
Unwinding of contingent consideration and other financial liability	Finance expense	-	-	-	(3)	(3)
Exceptional items and other adjustments included in profit before tax		**(86)**	**(75)**	**(45)**	**(139)**	**(345)**
Tax effect	Tax					42
Impact on profit for the year						**(303)**
Non-controlling interest						(1)
Equity holders of the parent						(302)

1. The impact on the consolidated income statement line items is shown below.

– Impairment and costs in relation to halted operations in Sudan: In April 2023, violent conflict erupted in the Sudanese capital of Khartoum. The conflict has since been escalating in other areas of the country. The Group has evaluated the effect on the carrying values of the Group's assets, and as a consequence, a loss of $76m was recognised to reflect the fall in the recoverable amount of the assets listed below. A further $7 million of employee benefits, hyperinflation and other expenses from the halted operations have been classified as exceptional items on the basis that no revenue was generated from those assets.

		Injectables $m	Branded $m	Generics $m	Unallocated $m	Total $m
Provision against inventory	Cost of sales	(2)	(15)	-	-	(17)
Impairment charge on financial assets	Net impairment loss on financial assets	(12)	(17)	-	-	(29)
Impairment charge on intangible assets	Other operating expenses	-	(3)	-	-	(3)
Impairment charge on property, plant and equipment	Other operating expenses	-	(25)	-	-	(25)
Impairment charge on other current assets	Other operating expenses	-	(2)	-	-	(2)
Cost from halted operations in Sudan	SG&A	-	(6)	-	-	(6)
Cost from halted operations in Sudan	Other operating expenses	-	(1)	-	-	(1)
		(14)	**(69)**	**-**	**-**	**(83)**

– Provision for legal settlements: On 1 February 2024, the Group reached an agreement in principle to resolve the vast majority of the opioid related cases brought against Hikma Pharmaceuticals USA Inc. by US states, their subdivisions, and tribal nations. The agreed upon settlement is not an admission of wrongdoing or legal liability. The Group booked a total provision of $129 million to cover the expected settlement amount for all related cases in North America (Notes 13 and 18)
– Intangible assets amortisation other than software of $88 million (Note 9)
– Impairment charge on intangible assets: $32 million mainly comprise $11 million in relation to product related intangible assets as a result of the decline in performance and forecasted profitability and $16 million marketing rights due the termination of business development contracts. Additionally, $5 million of impairment charge relates to software (Notes 9)

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– Impairment charge on property, plant and equipment and right-of-use assets: $8 million of impairment charge mainly relates to a leased property with no future plans of utilisation (Notes 10)
– Remeasurement of contingent consideration and other financial liability: $2 million represents the finance expense resulting from 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
– Unwinding of contingent consideration and other financial liability: $3 million represents the finance expense resulting from the unwinding of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement

Tax effect

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

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

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

– Gain from investment divestiture: represents $8 million from reclassification of translation gains previously included in other comprehensive income and the $3 million loss on disposal of Hikma Liban S.A.R.L.
– Reorganisation costs: $14 million of reorganisation costs relate to a one-off global restructuring to align staffing levels with current business conditions.
– Impairment charge on property, plant and equipment and right-of-use assets: $80 million of impairment charge relates to excess capacity and the rationalisation of the R&D pipeline associated production lines mainly in the Generics CGU, in addition to the impairment of generic Advair Diskus® CGU related property, plant and equipment (Notes 10)
– Impairment charge on intangible assets: $101 million impairment charge mainly relates to the generic Advair Diskus® CGU, other product related intangible assets and marketing rights mainly resulting from decline in performance and forecasted profitability and the rationalisation of the R&D pipeline in the Generics CGU (Notes 9)
– Intangible assets amortisation other than software: $92 million intangible assets amortisation other than software
– Unwinding of acquisition related inventory step-up: $27 million unwinding of acquisition related inventory step-up reflects the unwinding of the fair value uplift of the inventory acquired as part of Custopharm Topco Holdings, Inc. business combination and the Teligent Inc. Canadian assets acquisition ($25 million and $2 million, respectively)
– Remeasurement of contingent consideration: $26 million finance income represents the income resulting from the valuation of the liabilities associated with the future contingent payments in respect of contingent consideration recognised through business combinations
– Unwinding of contingent consideration and other financial liability: $4 million finance expense represents the expense resulting from the unwinding of contingent consideration recognised through business combinations and the financial liability in relation to the co-development earnout payment agreement

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Tax effect

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

6. Tax

	2023 Core results $m	**2023 Exceptional items and other adjustments (Note 5) $m**	**2023 Reported results $m**	2022 Core results $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results $m
Current tax						
Current year	**117**	**(2)**	**115**	121	(16)	105
Adjustment to prior years	**(1)**	**-**	**(1)**	(1)	-	(1)
Deferred tax						
Current year	**11**	**(40)**	**(29)**	(5)	(53)	(58)
Adjustment to prior year	**4**	**-**	**4**	(4)	-	(4)
	131	**(42)**	**89**	111	(69)	42

UK corporation tax is calculated at 23.5% blended rate (2022: 19.0%).

The Group incurred a tax expense of $89 million (2022: $42 million), the reported and core effective tax rates are 31.7% and 20.9% respectively (2022: 18.0% and 21.3% respectively). The reported effective tax rate is higher than the statutory rate due to the exceptional items related to Sudan.

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

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

	2023 $m	2022 $m
Profit before tax	**281**	233
Tax at the UK corporation tax rate of 23.5% (2022: 19.00%)	**66**	44
Profits taxed at different rates	**(21)**	4
Permanent differences:		
– Non-deductible expenditure	**3**	3
– Other permanent differences	**2**	2
– Research and development benefit	**(3)**	(5)
State and local taxes	**2**	(2)
Temporary differences:		
– Rate change, tax losses and other deductible temporary differences for which no benefit is recognised	**(3)**	(5)
Impact of the halted operations in Sudan	**32**	-
Change in uncertain tax positions	**9**	10
Unremitted earnings	**(1)**	(4)
Prior year adjustments	**3**	(5)
Tax expense for the year	**89**	42

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

The exceptional costs associated with the halted operations in Sudan mainly comprise tax on permanent differences of $24 million and unrecognised deferred tax assets of $12 million on the basis that the Group does not consider it probable that tax deductions can be realised on these temporary differences for local tax purposes.

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

The change in the uncertain tax positions relates to the balance the Group holds in the event a revenue authority successfully takes an adverse view of the positions adopted by the Group in 2023 and prior years. As at 31 December 2023, the Group's uncertain tax positions amounted to $59 million (2022: $50 million). The Group released $13 million in 2023 (2022: $3 million) primarily due to the resolution of some audits with the relevant tax authorities and released $nil (2022: $2 million) following closure of tax audit with no final tax adjustments required by the relevant tax authorities, this was offset by new provisions and updates of $22 million booked in 2023 (2022: $15 million) arising from new and ongoing tax audits. There was no impact from the currency exchange difference in 2023 (2022: $1 million reduction to the aggregate balance). If all areas of uncertainty were audited and all areas resulted in an adverse outcome, management does not believe any material additional tax would be payable beyond what is provided.

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

Publication of tax strategy

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

Global minimum tax – Pillar Two

Pillar Two legislation has been enacted, or substantively enacted, in certain jurisdictions where the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes for the year ending on 31 December 2024.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent information available regarding the financial performance of the constituent entities in the Group. Based on the assessment, the Group has identified potential exposure to Pillar Two income taxes in respect of profits earned in the UAE. The potential exposure comes from the constituent entities (mainly operating subsidiaries) in these jurisdictions where the expected Pillar Two effective tax rate is below 15%. Starting in 2024, the Group's core effective tax rate guidance reflects Pillar Two impact which contributed to an increase of 2 to 3 percentage points. Further factors such as the proportion of profit before tax, revenues, costs, and foreign currency exchange rates have been considered in the guidance for the core effective tax rate in 2024.

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

Tax contingent liabilities

Due to the Group operating across a number of different tax jurisdictions, it is subject to periodic challenge by local tax authorities on a range of tax matters arising in the normal course of business. These challenges generally include transfer pricing arrangements, other international tax matters and the judgemental interpretation of local tax legislation.

A tax contingent liability is not provided for and disclosed if:

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- tax payments are not probable in the future on challenges by tax authorities; or
- it is a present tax obligation, but the amount cannot be measured reliably

7. Dividends

	Paid in 2023 $m	Paid in 2022 $m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2022 of 37 cents (31 December 2022: 36 cents) per share	**82**	83
Interim dividend during the year ended 31 December 2023 of 25 cents (31 December 2022: 19 cents) per share	**55**	42
	137	125

The proposed final dividend for the year ended 31 December 2023 is 47 cents (2022: 37 cents).

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 25 April 2024 and has not been included as a liability in these consolidated financial statements. Based on the number of shares in free issue at 31 December 2023 (221,081,371), the final dividend would be $104 million.

8. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of Ordinary Shares in free issue during the year after deducting Treasury shares. Treasure shares have no right to receive dividends.

Diluted EPS is calculated after adjusting the weighted average number of Ordinary Shares used in the basic EPS calculation for the conversion of all potentially dilutive Ordinary Shares.
Core basic and diluted EPS are intended to highlight the core results of the Group before exceptional items and other adjustments.

	2023 Core results $m	2023 Exceptional items and other adjustments (Note 5) $m	2023 Reported results $m	2022 Core results $m	2022 Exceptional items and other adjustments (Note 5) $m	2022 Reported results $m
Profit attributable to equity holders of the parent	**492**	**(302)**	**190**	406	(218)	188

The number of shares used in calculating basic and diluted EPS is reconciled below:

	2023 Number	2022 Number
Weighted average number of Ordinary Shares in free issue		
Basic EPS	**220,862,103**	223,728,472
Effect of potentially dilutive Ordinary Shares:		
Share-based awards	**1,506,611**	1,180,336
Diluted EPS	**222,368,714**	224,908,809

	2023 Core EPS Cents	2023 Reported EPS Cents	2022 Core EPS Cents	2022 Reported EPS Cents
Basic	**223**	**86**	181	84
Diluted	**221**	**85**	180	84

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9. Goodwill and other intangible assets

The changes in the carrying value of goodwill and other intangible assets for the years ended 31 December 2023 and 31 December 2022 are as follows:

	Goodwill	Other intangible assets			
	$m	Product-related intangibles $m	Software $m	Other identified intangibles $m	Total $m
Cost					
Balance at 1 January 2022	693	1,056	142	257	2,148
Additions	-	48	1	36	85
Disposals	-	-	-	(3)	(3)
Translation adjustments	(15)	(5)	(2)	(5)	(27)
Acquisition of subsidiaries	119	251	-	-	370
Balance at 31 December 2022 and 1 January 2023	**797**	**1,350**	**141**	**285**	**2,573**
Additions	-	10	1	33	44
Disposals	-	-	(4)	(3)	(7)
Translation adjustments	(1)	(1)	-	2	-
Business combination (Note 16)	-	63	-	-	63
Balance at 31 December 2023	**796**	**1,422**	**138**	**317**	**2,673**
Accumulated Amortisation and Impairment					
Balance at 1 January 2022	(408)	(650)	(91)	(107)	(1,256)
Charge for the year	-	(75)	(8)	(17)	(100)
Impairment charge	-	(72)	(1)	(29)	(102)
Translation adjustments	-	4	2	3	9
Balance at 31 December 2022 and 1 January 2023	**(408)**	**(793)**	**(98)**	**(150)**	**(1,449)**
Charge for the year	-	(73)	(8)	(15)	(96)
Disposals	-	-	4	3	7
Impairment charge	-	(13)	(5)	(17)	(35)
Translation adjustments	-	1	-	(1)	-
Balance at 31 December 2023	**(408)**	**(878)**	**(107)**	**(180)**	**(1,573)**
Carrying amount					
At 31 December 2023	**388**	**544**	**31**	**137**	**1,100**
At 31 December 2022	**389**	**557**	**43**	**135**	**1,124**

Of the total intangible assets other than goodwill, $152 million (2022: $89 million) are not yet available for use.

Goodwill

Goodwill is allocated from the acquisition date to the CGUs that are expected to benefit from the synergies of the business combination. The carrying amount of goodwill has been allocated as follows:

	As at 31 December	
	2023 $m	2022 $m
Injectables	**228**	229
Branded	**160**	160
Total	**388**	389

In accordance with the Group policy, goodwill is tested annually for impairment during the fourth quarter or more frequently if there are indicators that goodwill may be impaired. The impairment test was performed by calculating the recoverable amount of the CGUs to which the goodwill is allocated, based on discounted cash flows by applying an appropriate discount rate that reflects the risk factors associated with the cash flows under which these CGUs sit. These values are then compared to the carrying value of the CGUs to determine whether an impairment is required.

Details related to the discounted cash flow models used in the impairment tests of the CGUs under which the goodwill is allocated are as follows:

Valuation basis, terminal growth rate and discount rate		Valuation basis	Terminal growth rate (perpetuity) 2023	Terminal growth rate (perpetuity) 2022	Discount rate 2023	Discount rate 2022	
	Injectables	VIU	**2.5%**	1.6%	**12.6%**	12.0%	Pre−tax
	Branded	VIU	**2.5%**	2.2%	**17.4%**	17.7%	Pre−tax
Key assumptions	Projected cash flows based on: Sales growth rates, informed by pricing and volume assumptions Profit margins and profit margin growth rates for marketed and pipeline products Expected launch dates for pipeline products Terminal growth rates Discount rates						
Determination of assumptions	Growth rates are internal forecasts based on both internal and external market information, informed by historical experience and management's best estimates of the future Margins reflect past experience, adjusted for expected changes in the future Establishing the launch date and probability of a successful product approval for pipeline products Terminal growth rates are based on the Group's experience in its markets Discount rates for each CGU are derived from specific regions/countries						
Period of specific projected cash flows	5 years						

The valuation did not result in any impairment for the CGUs and indicated that sufficient headroom exists even under reasonable changes in key assumptions.
The Group monitors the development of climate related risks and assessed the qualitative and quantitative impact which is not expected to have a material impact on the consolidated financial statements nor the recoverable amount of the CGUs.

Product-related intangible assets

Product rights not yet available for use

Product rights not yet available for use amounts to $75 million (2022: $22 million), no amortisation has been charged against them. The Group performs an impairment review of these assets annually. The result of this test was an impairment charge of $3 million in the Generics segment mainly due to the high risk of obtaining regulatory approval for a certain product (2022: $8 million in the Injectables segment).

Product rights

Product rights consists of marketed products of $469 million (2022: $535 million) which includes one product in the injectables CGU of $129 million (2022: $140 million) that has a remaining useful life of twelve years (2022: thirteen years), in addition to generic Advair Diskus® of $87 million (2022: $97 million) that has a remaining useful life of eight years (2022: nine years). The product rights have an average estimated useful life of twelve years.

The Group performs impairment indicators assessment for definite life intangible assets, if any indicator exists, the Group reconsiders the asset's estimated economic benefit, calculates the recoverable value of the individual assets or asset group's cash flows and compares such value against the individual asset's or asset group's carrying amount. If the carrying amount is greater, the Group records an impairment loss for the excess of book value over the recoverable value. As at 31 December 2023, the result of this testing was an impairment charge of $10 million (2022: $64 million).

Software

Software intangibles mainly represent the Enterprise Resource Planning solutions that are being implemented in different operations across the Group in addition to other software applications, of which $1 million is not yet available for use (2022: $9 million). The software has an average estimated useful life that varies from three to ten years.

Following a review of impairment indicators for software as at 31 December 2023, an impairment charge of $5 million was recognised (2022: $1 million).

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Other identified intangibles

Other identified intangibles comprise marketing rights, customer relationships and trade names of $137 million (2022: $135 million) of which $76 million represent assets not yet available for use (2022: $58 million). The Group performs an impairment review of other identified intangible assets that are not yet available for use annually, and performs impairment indicators assessment for assets in use. The result of this test was an impairment charge of $17 million mainly in the Injectables and Generics segments due to the discontinuation of certain marketing rights (2022: $29 million).

Marketing rights

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

Customer relationships

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

Trade names

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

10. Property, plant and equipment

	Land and buildings $m	Machinery and equipment $m	Vehicles, fixtures and equipment $m	Projects under construction $m	Total $m
Cost					
Balance at 1 January 2022	**676**	**796**	**138**	**271**	**1,881**
Additions	4	16	7	114	141
Disposals	(1)	(10)	(3)	(1)	(15)
Transfers	74	35	11	(120)	-
Acquisition of subsidiaries	-	1	-	-	1
Transfer to assets classified as held for distribution	(2)	-	-	-	(2)
Translation adjustment	(26)	(19)	(8)	(2)	(55)
Balance at 31 December 2022 and 1 January 2023	**725**	**819**	**145**	**262**	**1,951**
Additions	31	20	7	112	170
Disposals	(15)	(10)	(9)	-	(34)
Transfers	43	63	6	(112)	-
Business combination (Note 16)	25	3	-	8	36
Transfer to assets classified as held for sale	(11)	-	-	-	(11)
Translation adjustment	(1)	(1)	(1)	2	(1)
Balance at 31 December 2023	**797**	**894**	**148**	**272**	**2,111**
Accumulated depreciation and impairment					
Balance at 1 January 2022	(231)	(458)	(117)	(3)	(809)
Charge for the year	(21)	(47)	(12)	-	(80)
Disposals	1	9	3	-	13
Impairment	-	(16)	-	(61)	(77)
Translation adjustment	8	13	5	-	26
Balance at 31 December 2022 and 1 January 2023	**(243)**	**(499)**	**(121)**	**(64)**	**(927)**
Charge for the year	(23)	(49)	(12)	-	(84)
Disposals	-	7	9	-	16
Impairment	(14)	(8)	(1)	(3)	(26)
Translation adjustment	2	3	1	-	6
Balance at 31 December 2023	**(278)**	**(546)**	**(124)**	**(67)**	**(1,015)**
Carrying amount					
At 31 December 2023	**519**	**348**	**24**	**205**	**1,096**
At 31 December 2022	**482**	**320**	**24**	**198**	**1,024**

Land is not subject to depreciation.

As at 31 December 2023, the Group had pledged property, plant and equipment with a carrying value of $nil (2022: $8 million) as collateral for various long-term loans. In 2022, the amount included specific items in the net property, plant and equipment of the Group's businesses in Tunisia.

As at 31 December 2023, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to $52 million (2022: $40 million).

During the year ended 31 December 2023, $2 million of borrowing costs have been capitalised (2022: $[nil]).

As at 31 December 2023, the Group booked an impairment charge of $26 million mainly in relation to Sudan exposure (Notes 5). In 2022, the Group booked an impairment charge of $77 million. $61 million of the impairment charge is in respect of the excess capacity and the rationalisation of the R&D pipeline associated production lines in the Generics CGU, in addition to $16 million of impairment of generic Advair Diskus® CGU related property, plant and equipment (Notes 5).

11. Trade and other receivables

		As at 31 December
	2023 $m	2022 $m
Gross trade receivables	**1,222**	1,128
Chargebacks and other allowances	**(352)**	(298)
Expected credit loss allowance	**(81)**	(53)
Net trade receivables	**789**	777
VAT and sales tax recoverable	**35**	32
Net trade and other receivables	**824**	809

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

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

	As at 31 December 2022 and 1 January 2023 $m	Additions, net $m	Utilisation $m	Translation adjustments $m	Acquisition of subsidiaries $m	**As at 31 December 2023 $m**
Chargebacks and other allowances	**298**	**2,560**	**(2,505)**	**(1)**	**-**	**352**
Expected credit loss allowance	**53**	**32**	**(4)**	**-**	**-**	**81**
	351	**2,592**	**(2,509)**	**(1)**	**-**	**433**

	As at 31 December 2021 and 1 January 2022 $m	Additions, net $m	Utilisation $m	Translation adjustments $m	Acquisition of subsidiaries $m	As at 31 December 2022 $m
Chargebacks and other allowances	275	2,344	(2,346)	-	25	298
Expected credit loss allowance	51	5	-	(3)	-	53
	326	2,349	(2,346)	(3)	25	351

The increase in the allowance for expected credit loss is mainly driven by the impairment of trade and other receivables related to Sudan exposure (Note 5).

At 31 December 2023, the provision balance relating to chargebacks was $236 million (2022: $204 million). The key inputs and assumptions included in calculating this provision are estimations of 'in channel' inventory at the wholesalers (including processing lag) of 39 days (2022: 36 days), estimated chargeback rates as informed by average historical chargeback credits adjusted for expected chargeback levels for new products, changes to pricing and estimated future sales trends (including customer mix). Based on the conditions existing at the balance sheet date, an increase/decrease in the estimate of in channel inventory by 1 day increases/decreases the provision by $6 million (2022: $5 million), and if the overall chargeback rate of 57% (2022: 57%) increases/decreases by one percentage point, the provision would increase/decrease by $4 million (2022: $4 million).

At 31 December 2023, the provision balance relating to customer rebates was $49 million (2022: $49 million). The key inputs and assumptions included in calculating this provision are the historical relationship between contractual rebate payments to revenue, past payment experience, changes to pricing and sales levels, estimation of 'in channel' inventory at the wholesalers and retail pharmacies and estimated future sales trends (including customer mix). Based on the conditions existing at the balance sheet date, a ten-basis point increase/decrease in the rebates rate of 4.9% (2022: 5.7%) would increase/decrease this provision by approximately $1 million (2022: approximately $1 million).

12. Short-term financial debts

		As at 31 December
	2023 $m	2022 $m
Bank overdrafts	**2**	11
Import and export financing[1]	**44**	62
Short-term loans	**-**	2
Current portion of long-term loans (Note 14)	**104**	64
	150	139

	2023 %	2022 %
The weighted average interest rates incurred are as follows:		
Bank overdrafts	**13.34**	4.78
Import and export financing	**7.10**	5.87
Short-term loans	**4.75**	4.20

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

13. Provisions

	End of service indemnity $m	**Legal $m**	**Total $m**
Balance at 1 January 2022	31	-	31
Additions	8	-	8
Utilisations	(7)	-	(7)
Balance at 31 December 2022 and 1 January 2023	32	-	32
Additions	3	129	132
Utilisations	(5)	-	(5)
Balance at 31 December 2023	30	129	159

	2023 $m	2022 $m
Due within one year	152	32
Due after more than one year	7	-
	159	32

Provision for end of service indemnity relates to employees of certain Group subsidiaries and includes some immaterial amounts for defined benefit plans. This provision is calculated based on relevant laws in the

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countries where each Group company operates, in addition to their own policies. For defined benefit plans, the actuarial valuations performed in 2023 did not result in any change in the net liability (2022: $nil)

Legal provision is related to the expected settlement amount for legal matters, of which $7 million is expected to be settled after more than one year (Notes 5 and 18).

14. Long-term financial debts

		As at 31 December
	2023 $m	2022 $m
Long-term loans	**582**	644
Long-term borrowings (Eurobond)	**497**	494
Less: current portion of long-term loans (Note 12)	**(104)**	(64)
Long-term financial loans	**975**	1,074
Breakdown by maturity:		
Within one year	**104**	64
In the second year	**604**	65
In the third year	**100**	553
In the fourth year	**208**	52
In the fifth year	**59**	401
In the sixth year	**4**	1
Thereafter	**-**	2
	1,079	1,138
Breakdown by currency:		
US dollar	**1,002**	1,068
Euro	**21**	31
Jordanian dinar	**13**	16
Algerian dinar	**29**	16
Saudi riyal	**-**	-
Moroccan dirham	**11**	6
Tunisian dinar	**3**	1
	1,079	1,138

The loans are held at amortised cost.

None of the long-term loans were secured on certain property, plant and equipment (31 December 2022: $1 million).

Major loan arrangements include:

a) $1,150 million syndicated revolving credit facility that matures on 4 January 2029. At 31 December 2023, the facility had an outstanding balance of $nil (2022: $278 million) and an unutilised amount of $1,150 million (2022: $872 million). The facility can be used for general corporate purposes
b) A $500 million 3.25%, five-year Eurobond with a rating of BBB- (S&P & Fitch) that matures on 9 July 2025. At 31 December 2023, the facility had an outstanding balance of $497 million (2022: $494 million) and a fair value of $481 million (2022: $466 million). The proceeds were used for general corporate purposes
c) A $400 million five-year syndicated loan facility that matures on 13 October 2027. At 31 December 2023, the facility had an outstanding balance of $315 million (2022: $190 million) and a fair value of $315 million (2022: $190 million). The proceeds were used for general corporate purposes
d) A $200 million eight-year loan facility from the International Finance Corporation and Managed Co-lending Portfolio program that matures on 15 September 2028. At 31 December 2023, the facility had an outstanding balance of $100 million (2022: no utilisation) and a fair value of $100 million (2022: $nil), the remaining $100 million has an availability period until March 2024. The facility can be used for general corporate purposes

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e) A $150 million ten-year loan facility from the International Finance Corporation that matures on 15 December 2027. At 31 December 2023, the facility had an outstanding balance of $86 million (2022: $108 million) and a fair value of $80 million (2022: $98 million). The proceeds were used for general corporate purposes

	2023 %	2022 %
The weighted average interest rates incurred are as follows:		
Bank loans (including the current bank loans)	**5.76**	2.96
Eurobond[1]	**3.68**	3.69

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

15. Cash generated from operating activities

	2023 $m	2022 $m
Profit before tax	**281**	233
Adjustments for depreciation, amortisation and impairment charges of:		
Property, plant and equipment	**110**	157
Intangible assets	**131**	202
Right-of-use of assets	**18**	13
Unwinding of acquisition related inventory step-up	**-**	26
Reclassification of translation gains on disposal of subsidiary	**-**	(5)
(Gain)/loss from investment at fair value through profit or loss (FVTPL)	**(2)**	2
Gain on disposal of intangible assets	**-**	(6)
Cost of equity-settled employee share scheme	**25**	22
Finance income	**(7)**	(29)
Finance expense	**95**	81
Foreign exchange loss and net monetary hyperinflation impact	**6**	20
Changes in working capital:		
Change in trade and other receivables	**(24)**	4
Change in other current assets	**(9)**	(19)
Change in inventories	**(115)**	(102)
Change in trade and other payables	**88**	16
Change in other current liabilities	**13**	(16)
Change in provisions	**127**	1
Change in other non-current assets	**5**	(9)
Change in other non-current liabilities	**(5)**	(6)
Cash flow from operating activities	**737**	585

16. Business combination

Akorn Operating Company LLC (Akorn)

On 5 July 2023, the Group completed the acquisition of the assets of Akorn as part of a Chapter 7 Bankruptcy process, and paid cash consideration of $98 million. This acquisition has been accounted for as a business combination in accordance with the requirements of IFRS 3 ‘business combination’.

The net assets acquired in the transaction are provisional. The identifiable assets and liabilities recognised as a result of this acquisition are as follows:

	$m
Product related intangible assets (Note 9)	63
Property, Plant and Equipment (Note 10)	36
Inventories	2
Other current liabilities	(3)
Net assets acquired	98
Total consideration	**98**
Satisfied by:	
Cash consideration	98
Net cash outflow arising from acquisition	**98**

Product related intangible assets comprise product rights of $36 million and IPR&D of $27 million. $19 million of product rights are expected to be ready for use following the finalisation of the technology transfer process. Property, plant and equipment mainly included land and buildings of $25 million, and machinery and equipment of $11 million, of which the Group has disposed of $15 million of land and buildings, and $3 million of machinery and equipment, no gain/loss has been recognised as a result of these disposals. At 31 December 2023, $11 million of land and buildings has been classified as held for sale.

Other liabilities mainly comprise technology transfer costs. No goodwill arose as a result of this acquisition.

Akorn did not contribute to the revenue and profit before tax of the Group in 2023 as the contributions are expected to flow after the finalisation of the technology transfer process.

17. Contingent liabilities

Standby letters of credit and letters of guarantee

A contingent liability existed at the balance sheet date in respect of standby letters of credit and letters of guarantee totalling $55 million (2022: $55 million) arising in the normal course of business. No provision for these liabilities has been made in these consolidated financial statements.

A contingent liability existed at the balance sheet date for standby letters of credit totalling $14 million (2022: $14 million) for potential stamp duty obligations that may arise from the repayment of loans by intercompany guarantors. It’s not probable that any repayment will be made by the intercompany guarantors.

Legal proceedings

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

Most of the claims involve highly complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of a loss, if any, being sustained and/or an estimate of the amount of any loss is difficult to ascertain. It is the Group’s policy to provide for amounts related to these legal matters if it is probable that a liability has been incurred and an amount is reasonably estimable. The Group currently intends to vigorously defend against these proceedings. From time to time, however, the Group may settle or otherwise resolve these matters on terms and conditions that it believes to be in its best interest.

- 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 and third-party payors of generic drug products. These complaints, which now number thirty-two allege that more than forty generic pharmaceutical defendants including the Group entities engaged in conspiracies to fix, increase, maintain and/or stabilise the prices and market shares of the generic drug products named between approximately 2010 and 2016. The plaintiffs seek treble damages, which can be significantly higher than the profits Hikma made on the named drug products, and equitable injunctive relief under federal and state antitrust and consumer protection laws. The lawsuits have been consolidated in a multidistrict litigation (MDL) court in the United States District Court for the Eastern District of Pennsylvania (In re Generic Pharmaceuticals Pricing Antitrust Litigation, No. 2724, (E.D. Pa.)). At this point, the Group does not believe sufficient evidence exists to make any provision.

- Starting in June 2020, several complaints have been filed in the United States on behalf of both individual plaintiffs and putative classes of direct and indirect purchasers, as well as third party payors of Xyrem® against certain Group entities and other defendants. Currently, most of these cases have been consolidated in an MDL court in the United States District Court for the Northern District of California (In re Xyrem (Sodium Oxybate) Antitrust Litigation, No.2966, (N.D. Cal)). These complaints allege that Jazz Pharmaceuticals PLC and its subsidiaries entered into unlawful "pay-for-delay" 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, which can be significantly higher than the profits Hikma makes from selling the generic version of Xyrem®, and equitable injunctive relief under federal and state antitrust and consumer protection laws. A trial has been scheduled to start on October 28, 2024 in the MDL matter. At this point, the Group does not believe sufficient evidence exists to make any provision.
- In November 2020, Amarin Pharmaceuticals filed a patent infringement lawsuit against certain Group entities in the United States District Court for the District of Delaware (No. 20-cv-1630) alleging that Hikma's sales and distribution of its generic icosapent ethyl product infringes three Amarin patents that describe certain methods of using icosapent ethyl. Amarin sought an injunction barring Hikma from selling its generic product as well as unspecified damages. Hikma's product is not approved for the patented methods but rather is approved only for a different indication not covered by any valid patents. In January 2022 the court dismissed the lawsuit, and Amarin has appealed the court's ruling to the United States Court of Appeals for the Federal Circuit. Briefing on the appeal has been completed but no oral argument has been scheduled. The Group does not believe sufficient evidence exists to make any provision.

18. Subsequent event

On 1 February 2024, the Group reached an agreement in principle to resolve the vast majority of the opioid related cases brought against Hikma Pharmaceuticals USA Inc. by US states, their subdivisions, and tribal nations. These cases relate to the manufacture and sale of prescription opioid medications. The agreed upon settlement is not an admission of wrongdoing or legal liability.

The Group booked a total provision of $129 million to cover the expected settlement amount for all related cases in North America. The provision is considered an adjusting post balance sheet event and is recognised as an exceptional item in the consolidated financial statements for the year ended 31 December 2023 (Notes 5 and 13).