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Press Release

# Hikma delivers strong H1 performance and upgrades Group guidance

**London, 8 August 2024 –** Hikma Pharmaceuticals PLC and its subsidiaries ('Hikma' or 'Group'), the multinational pharmaceutical company, today reports its Interim Results for the six months ended 30 June 2024.

Riad Mishlawi, Chief Executive Officer of Hikma, said:

*"We had an excellent first half of the year. All of our businesses contributed to our strong performance, delivering 10% Group revenue growth. We launched new products across all regions, entered new markets in Europe, and further strengthened our leadership team.*

*Our Branded business performed extremely well, benefitting from the ongoing investment in growing our portfolio of oncology and chronic treatments. Injectables is maintaining good momentum, with new launches and recently added capacity driving growth, while our strategic acquisition of Xellia's products, manufacturing facility and R&D assets, once closed, will support the long-term prospects of this business. Generics continues to differentiate through our focus on more complex products and the quality of our US-based manufacturing capabilities. The outlook for 2024 remains strong and we are pleased to upgrade Group revenue and profit guidance."*

**Group H1 highlights:**

| **Reported results (statutory)**<br>**$ million** | **H1 2024**[1] | H1 2023[1] | Change | Constant currency[2] change |
|---|---|---|---|---|
| Revenue | **1,569** | 1,427 | 10% | 10% |
| Operating profit | **351** | 245 | 43% | 48% |
| Profit attributable to shareholders | **226** | 131 | 73% | 82% |
| Cashflow from operating activities | **198** | 222 | (11)% | - |
| Basic earnings per share (cents) | **102** | 59 | 73% | 81% |
| Interim dividend per share (cents) | **32** | 25 | 28% | - |

| **Core results[3] (underlying)**<br>**$ million** | **H1 2024** | H1 2023 | Change | Constant currency[2] change |
|---|---|---|---|---|
| Revenue | **1,569** | 1,427 | 10% | 10% |
| Core operating profit | **402** | 401 | 0% | 3% |
| Core EBITDA[4] | **453** | 451 | 0% | 3% |
| Core profit attributable to shareholders | **283** | 284 | 0% | 4% |
| Core basic earnings per share (cents) | **128** | 129 | (1)% | 3% |

[1] Throughout this document, H1 2024 refers to the six months ended 30 June 2024 and H1 2023 refers to the six months ended 30 June 2023.

[2] Constant currency numbers in H1 2024 represent reported H1 2024 numbers translated using H1 2023 exchange rates, excluding price increases in the business resulting from the devaluation of currencies.

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

[4] Core EBITDA is earnings before interest, tax, depreciation, amortisation, impairment charges, adjusted for exceptional items and other adjustments. Core EBITDA is a non-IFRS measure, see page 13 for a reconciliation to reported IFRS results.

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## Strong first half performance

- Group revenue up 10% with growth in all three business segments
- Core operating profit flat year-on-year, with a very strong performance in the Branded business offsetting the expected reduction in Generics profitability. In constant currency (cc), core operating profit grew 3%
- Strong Group core EBITDA margin of 28.9% (H1 2023: 31.6%)
- Cashflow from operating activities, down 11% to $198 million, reflecting investment in working capital primarily related to growth across the Group
- Robust balance sheet maintained with net debt[5] to core EBITDA[6] of 1.3x at 30 June 2024 (31 December 2023: 1.2x)
- Interim dividend of 32 cents per share, up 28%

## Revenue growth in all three businesses

- Injectables[7] revenue growth of 4%, reflecting good growth in North America and MENA and strong demand for our own products in Europe. Core operating profit flat with a good margin of 36.3%, reflecting the H2 weighting of contract manufacturing (CMO) revenue, as expected
- Branded revenue growth of 12% (cc growth: 13%), reflecting a very good performance across our markets, driven by our oncology and chronic portfolio and early fulfilment of tenders. Core operating profit up 24% (cc growth: 34%), with very strong core operating margin of 30.8%
- Generics revenue growth of 15%, driven by good demand across our product portfolio, and strong core operating margin of 19.7%. Core operating profit down 15%, reflecting the expected lower profitability from our authorised generic of sodium oxybate

## Strategic updates

- Announced the acquisition of parts of the Xellia Pharmaceuticals business, which will add marketed products, pipeline projects, extensive manufacturing capabilities and a new research and development (R&D) centre to our Injectables business (subject to FTC approval)
- Launched Combogesic®, our first speciality injectable product in the US, and expanded commercial presence in Europe with entries into Spain and the UK
- Strengthened product mix in our Branded business through continued shift towards higher value medicines
- Improved access to diabetes treatments and strengthened our position as a leading supplier of oncology medicines in our Branded business, with 43% growth in revenue from oncology products and 50% from diabetes products

## Outlook for full year 2024

- Group revenue growth of 6% to 8%, up from 4% to 6%
- Group core operating profit of $700 million to $730 million, up from $660 million to $700 million

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[5] Group net debt is calculated as Group total debt less Group total cash. Group net debt is a non-IFRS measure that includes long and short-term financial debts (Note 12), lease liabilities, net of cash and cash equivalents (Note 9) and restricted cash, if any. See page 14 for a reconciliation of Group net debt to reported IFRS figures

[6] For the purposes of the leverage calculation, EBITDA is calculated for trailing twelve months ended 30 June 2024. See page 13 for a reconciliation to reported IFRS results and trailing twelve months EBITDA

[7] During H2 2023, the Group 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' H1 2023 revenue of $1 million and operating loss of $7 million have therefore been reclassified to the Others segment. H1 2024 Others revenue was $13 million (H1 2023: $8 million) with an operating loss of $3 million (H1 2023: $5 million loss).

**Further information:**
A pre-recorded presentation will be available at www.hikma.com at 07:00 BST. Hikma will also hold a live Q&A conference call at 09:30am BST, and a recording will be made available on the Company's website.

To join via conference call please dial:

United Kingdom (toll free): +44 800 358 1035

United Kingdom (local): +44 20 3936 2999

Access code: 229737

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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 and BBB-/positive Fitch)

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## STRATEGIC REVIEW

We have made excellent progress in the first half of 2024 as we continue to position ourselves for the future.

We are a top three provider of generic sterile injectables by volume[8] and a key supplier of non-injectable generic medicines in the US. In the MENA region, we are the second largest pharmaceutical company by sales[9].

In April, we appointed a new President of our Generics business, Hafrun Fridriksdottir. With Riad Mishlawi promoted to CEO last September, and Dr Bill Larkins taking on the role of President of Injectables, we have strengthened our experienced leadership team and are well placed to deliver our growth strategy.

### Injectables

Our Injectables business, which manufactures and supplies generic injectables medicines to hospitals across North America, Europe and MENA, had a positive start to the year across our geographies. We are seeing good demand across our markets, have launched 39 products, enhanced our pipeline and are investing across the business.

In June we announced the acquisition of parts of the US finished dosage form business of Xellia Pharmaceuticals (subject to US FTC approval). This exciting transaction includes a commercial portfolio and pipeline of differentiated products, a manufacturing facility in Cleveland, Ohio, sales and marketing capabilities, and an R&D centre in Zagreb, Croatia. Hikma will pay a cash consideration of $135 million, and an additional contingent consideration of up to $50 million, subject to the achievement of certain regulatory and commercial milestones. The acquisition will be neutral to Group core earnings in the first 12 months following closing, and accretive thereafter. Importantly, it will add significant scale to our US operations as well as the potential to further develop our pipeline with the experienced Zagreb team.

In North America, our US portfolio now has over 160 products and continues to expand. The breadth of our product offering reduces our reliance on any one single product and enables us to capture market opportunities. Our Canadian business is also growing well, with seven new launches in the first half.

In MENA, both our own products and our in-licenced biosimilar franchise continue to drive success. We have also made good progress with our new plants in Algeria and Morocco, which are now in the final stages of preparation for commercial production, expected in 2025.

In Europe, we officially entered Spain and the UK during the first half of 2024 and are now supplying products across the largest European markets. With our facilities in Portugal, Germany and Italy, we have a flexible and short supply chain, which allows us to address drug shortage situations. We continue to expand our portfolio through new launches and are seeing good demand for our own products across our markets. Revenue from our CMO business was low in the first half due to the timing of contracts, which are weighted towards the second half of this year.

### Branded

Our Branded business, which supplies branded generics and in-licensed patented products across the MENA region, has continued its excellent momentum, benefitting from our oral oncology portfolio and the overall focus on medications used to treat chronic illnesses. Recent launches have been an important driver of this growth, resulting from our ongoing investments into R&D and partnerships. We are also

[8] IQVIA MAT May 2024, generic injectable volumes by eaches, excluding branded generics and Becton Dickinson
[9] IQVIA MIDAS Pharma Index MAT May-2024. Does not include hospital or tender business

expanding our presence in the diabetes and oncology markets, launching new products across the region and increasing the market share of our existing products.

This strong performance, as well as the early fulfilment of tenders, particularly for our oncology portfolio, more than offset foreign exchange headwinds, predominantly in Egypt where the pound devalued by around 60% in the first half. The timing of tenders results in revenue and operating profit being strongly weighted towards the first half.

**Generics**

Generics, which supplies oral and other non-injectable generic and specialty products to the US retail market, performed well in the first half, with good volume growth driving our top-line performance.

Hafrun Fridriksdottir was appointed as President of Generics during the first half. As an experienced R&D and product development leader, Hafrun will help further expand Hikma's product portfolio and pipeline, building on our position as a market-leading domestic US manufacturer and supplier of generic medicines.

Our authorised generic of sodium oxybate continues to perform well on a revenue basis, albeit at a significantly reduced margin when compared to the first half of 2023 due to the expected increase in royalties payable.

We are also making progress with our CMO offering and continue to pursue contracts that will leverage the quality and capabilities of our Columbus facility.

**Outlook for full year 2024**

We now expect Group revenue to grow in the range of 6% to 8%, up from previous guidance of 4% to 6% growth, and for core operating profit to be in the range of $700 million to $730 million, up from previous guidance of $660 million to $700 million.

We continue to expect Injectables revenue to grow in the range of 6% to 8% and for core operating margin to be in the range of 36% to 37%. Revenue and profit growth will be weighted towards the second half of the year primarily due to the timing of fulfilling CMO business, as expected.

We now expect Branded revenue to grow in the high single-digits in constant currency, or in the range of 6% to 8% on a reported basis, up from previous guidance of mid to high single-digits in constant currency, or low-single digits on a reported basis. We expect reported core operating margin to be around 25% (2023: 23.9%), versus previous guidance of slight growth in reported core operating profit. Given the timing of tender deliveries, particularly for our high-value oncology products, and an expected second half weighting of operating costs, Branded revenue and core operating profit will be weighted towards the first half.

Given the strong performance in the Generics business in the first half, we now expect Generics revenue to grow in the range of 5% to 7%, up from previous guidance of 3% to 5%, and core operating margin to be between 16% to 17%, compared to previous guidance of mid-teens. We expect increased competition on certain products and higher R&D costs in the second half.

We continue to 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 now expect Group capital expenditure to be in the range of $140 million to $160 million.

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## FINANCIAL REVIEW

The financial review set out below summarises the performance of the Group and our three main business segments: Injectables, Branded and Generics, for the six months ended 30 June 2024.

### Group

| **$ million** | **H1 2024** | H1 2023 | Change | Constant currency change |
|---|---|---|---|---|
| Revenue | **1,569** | 1,427 | 10% | 10% |
| Gross profit | **756** | 715 | 6% | 5% |
| Core gross profit | **756** | 733 | 3% | 3% |
| *Core gross margin* | ***48.2%*** | *51.4%* | *(3.2)pp* | *(3.5)pp* |
| Operating profit | **351** | 245 | 43% | 48% |
| Core operating profit | **402** | 401 | 0% | 3% |
| *Core operating margin* | ***25.6%*** | *28.1%* | *(2.5)pp* | *(1.8)pp* |
| Core EBITDA | **453** | 451 | 0% | 3% |
| *Core EBITDA margin* | ***28.9%*** | *31.6%* | *(2.7)pp* | *(2.1)pp* |

Group revenue grew 10%, with all three businesses performing well.

Core gross profit grew 3% and core gross margin was 48.2%, reflecting strong performance in Branded, offsetting the expected reduction in Generics profitability as a result of the increased royalty payments on our authorised generic of sodium oxybate.

Group operating expenses were $405 million (H1 2023: $470 million). Group core operating expenses were $354 million (H1 2023: $332 million).

Group selling, general and administrative (SG&A) expenses were $325 million (H1 2023: $304 million). Core SG&A expenses were $280 million (H1 2023: $260 million). The increase primarily reflects higher employee benefits, legal expenses and continued investment in sales and marketing in the US, primarily related to the launch of our specialty injectable product, Combogesic®.

Core and reported R&D expenses were $61 million (H1 2023: $64 million), representing 3.9% of revenue (H1 2023: 4.5%). We expect R&D spend to be weighted towards the second half of the year.

Other net operating expenditure was lower than the prior period at $19 million (H1 2023: $56 million), primarily reflecting the impairment charge taken on our Sudanese business in H1 2023. Core other net operating expense was $13 million (H1 2023: $4 million), primarily comprising foreign exchange related costs.

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**Group revenue by business segment**

| $ million | **H1 2024** | | H1 2023[10] | |
|---|---|---|---|---|
| Injectables[10] | **609** | 39% | 584 | 41% |
| Branded | **419** | 27% | 375 | 26% |
| Generics | **528** | 33% | 460 | 32% |
| Others[10] | **13** | 1% | 8 | 1% |
| Total | **1,569** | | 1,427 | |

**Group revenue by region**

| $ million | **H1 2024** | | H1 2023 | |
|---|---|---|---|---|
| North America | **944** | 60% | 848 | 59% |
| MENA | **518** | 33% | 468 | 33% |
| Europe and ROW | **107** | 7% | 111 | 8% |
| Total | **1,569** | | 1,427 | |

**Injectables**

| $ million | **H1 2024** | H1 2023[10] (revised) | Change | Constant currency change |
|---|---|---|---|---|
| Revenue | **609** | 584 | 4% | 5% |
| Gross profit | **327** | 325 | 1% | 1% |
| Core gross profit | **327** | 328 | 0% | 0% |
| *Core gross margin* | ***53.7%*** | *56.2%* | *(2.5)pp* | *(2.4)pp* |
| Operating profit | **190** | 175 | 9% | 10% |
| Core operating profit | **221** | 221 | 0% | 1% |
| *Core operating margin* | ***36.3%*** | *37.8%* | *(1.5)pp* | *(1.2)pp* |

Injectables revenue grew 4% in the first half, with good growth in North America and MENA and strong demand for our own products in Europe.

In North America, we are seeing growth across the base business. We continue to benefit from our strong commercial team, broad portfolio and recent launches, enabling us to fulfil the good market demand.

In Europe and rest of world (ROW), revenue declined due to the timing of CMO business, which is weighted to the second half. Growth in our own products was 17%, with a strong performance across all our established and new European markets.

[10] During H2 2023, the Group 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' H1 2023 revenue of $1 million and operating loss of $7 million have therefore been reclassified to the Others segment.

In MENA, we are seeing good growth across most of our markets, with our biosimilar franchise continuing to perform well and good demand across our broad portfolio, supported by new launches.

Injectables core gross profit was flat with gross margin contracting due to product mix and an increase in employee costs.

Injectables operating profit grew 9%, reflecting the impact of the $15 million impairment charge taken on our Sudanese business in H1 2023. Injectables core operating profit was flat, and core operating margin was 36.3%, down from 37.8% in H1 2023, due to the change in gross margin.

During H1 2024, the Injectables business launched 13 products in North America, seven in MENA, and 19 in Europe and ROW. We submitted 43 filings to regulatory authorities across all markets. We further developed our portfolio through new licensing agreements.

**Branded**

| $ million | **H1 2024** | H1 2023 | Change | Constant currency change |
|---|---|---|---|---|
| Revenue | **419** | 375 | 12% | 13% |
| Gross profit | **232** | 184 | 26% | 25% |
| Core gross profit | **232** | 199 | 17% | 15% |
| *Core gross margin* | ***55.4%*** | *53.1%* | *2.3pp* | *1.3pp* |
| Operating profit | **126** | 24 | 425% | 470% |
| Core operating profit | **129** | 104 | 24% | 34% |
| *Core operating margin* | ***30.8%*** | *27.7%* | *3.1pp* | *5.3pp* |

The Branded business performed very well in the first half, with revenue up 12%. This reflects strong demand across our markets, driven by our growing and differentiated product portfolio, enhanced by the timing of tenders in certain markets, primarily for our oncology products.

Branded reported gross profit grew 26% and core gross profit grew 17%, with core gross margin improving by 2.3 percentage points, reflecting our ongoing focus on oncology products and medicines used to treat chronic illnesses, and the weighting of tenders towards the first half.

Branded reported operating profit increased significantly, reflecting the impact of the $77 million impairment charge taken on our Sudanese business in H1 2023. Core operating profit grew 24%, reflecting the strong gross profit performance. This performance more than offset the negative impact of foreign exchange related to the currency devaluation in Egypt. In constant currency, Branded core operating profit grew 34%.

During H1 2024, the Branded business launched 19 products and submitted 23 filings to regulatory authorities. Revenue from in-licensed products represented 28% of Branded revenue (H1 2023: 28%).

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## Generics

| $ million | H1 2024 | H1 2023 | Change |
|---|---|---|---|
| Revenue | **528** | 460 | 15% |
| Gross profit | **197** | 209 | (6)% |
| Core gross profit | **197** | 209 | (6)% |
| *Gross margin* | ***37.3%*** | *45.4%* | *(8.1)pp* |
| Operating profit | **87** | 97 | (10)% |
| Core operating profit | **104** | 122 | (15)% |
| *Core operating margin* | ***19.7%*** | *26.5%* | *(6.8)pp* |

Generics revenue grew 15% in the first half, due to a strong performance across the portfolio.

The 6% decrease in Generics core and reported gross profit and the reduced gross margin to 37.3% was primarily due to the higher royalties payable on our authorised generic of sodium oxybate, when compared to the same period last year. This was partially offset by a strong product mix across the base business.

Generics core operating profit decreased primarily due to the reduction in gross profit.

The strong core operating margin in H1, when compared to our full year guidance of 16% to 17%, reflects the strong product mix in the first half and low R&D spend, which we expect to ramp up in the second half of the year.

During H1 2024, we launched one product and submitted two filings to regulatory authorities.

## Other businesses

Other businesses comprise 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. Other businesses contributed revenue of $13 million (H1 2023: $8 million[11]) with an operating loss of $3 million (H1 2023: $5 million loss) as we continue to invest in the development of our compounding business.

## Research and development

Our investment in R&D and business development is core to our strategy and enables us to continue expanding the Group's product portfolio.

| | H1 2024 submissions[12] | H1 2024 approvals[12] | H1 2024 launches[12] |
|---|---|---|---|
| Injectables | 43 | 41 | 39 |
| North America | 9 | 11 | 13 |
| MENA | 8 | 8 | 7 |
| Europe | 26 | 22 | 19 |
| Generics | 2 | 1 | 1 |
| Branded | 23 | 23 | 19 |
| **Total** | **68** | **65** | **59** |

[11] During H2 2023, the Group 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' H1 2023 revenue of $1 million and operating loss of $7 million have therefore been reclassified to the Others segment.

[12] New products submitted, approved and launched by country in H1 2024. MENA numbers include only the five major markets (Algeria, KSA, Egypt, Morocco and Jordan)

**Net finance expense**

| | **H1 2024** | H1 2023 | Change | Constant currency change |
|---|---|---|---|---|
| Finance income | **4** | 3 | 33% | 43% |
| Finance expense | **68** | 46 | 48% | 49% |
| **Net finance expense** | **64** | 43 | 49% | 49% |
| Core finance income | **4** | 3 | 33% | 43% |
| Core finance expense | **44** | 44 | 0% | (1)% |
| **Core net finance expense** | **40** | 41 | (2)% | 1% |

Reported net finance expense increased to $68 million primarily due to the remeasurement of contingent consideration related to our Generics business. Core net finance expense was $40 million, in line with H1 2023.

We continue to expect core net finance expense to be around $91 million for the full year.

**Tax**

The Group incurred a reported tax expense of $59 million (H1 2023: $71 million). Excluding the tax impact of exceptional items and other adjustments, the Group core tax expense was $77 million in H1 2024 (H1 2023: $76 million). The core effective tax rate[13] for H1 2024 was 21.2% (H1 2023: 21.1%). We continue to expect the Group's core effective tax rate to be between 22% to 23% for the full year.

**Profit attributable to shareholders and earnings per share**

Profit attributable to shareholders was $226 million (H1 2023: $131 million). Core profit attributable to shareholders was $283 million (H1 2023: $284 million). Reported basic earnings per share was 102 cents (H1 2023: 59 cents). Core basic earnings per share was 128 cents (H1 2023: 129 cents).

**Dividend**

The Board is recommending an interim dividend of 32 cents per share (H1 2023: 25 cents per share). As stated in 2023, our interim dividend is now calculated as approximately 45% of the prior year's total dividend. We also intend to progressively increase our total 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 interim dividend will be paid on 20 September 2024 to eligible shareholders on the register at the close of business on 16 August 2024.

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

The Group generated operating cash flow of $198 million (H1 2023: $222 million). This reflects higher investment in working capital related to growth across the Group.

Group working capital days were 251 at 30 June 2024. Compared to the position at 31 December 2023, Group working capital days increased by 8 days from 243 days.

[13] Core effective tax rate is calculated as core tax expense as a percentage of core profit before tax

Cash capital expenditure was $69 million (H1 2023: $84 million). In the US, $19 million was spent on upgrades and capacity expansion across our Cherry Hill, Dayton, and Columbus sites. In MENA, $32 million was spent strengthening and expanding our local manufacturing capabilities, including for general formulations in Tunisia and Algeria, as well as finalising our two new Injectables production sites in Algeria and Morocco. In Europe, we spent $18 million enhancing and expanding our manufacturing capabilities in Portugal and Italy. We now expect Group capital expenditure to be around $140 million to $160 million in 2024.

The Group's total debt was $1,276 million at 30 June 2024 (31 December 2023: $1,191 million).

The Group's cash balance was $236 million (31 December 2023: $215 million). The Group's net debt was $1,040 million at 30 June 2024 (31 December 2023: $976 million)[14]. We continue to have a strong balance sheet with a net debt to core EBITDA ratio of 1.3x (31 December 2023: 1.2x).

**Net assets**

Net assets at 30 June 2024 were $2,300 million (31 December 2023: $2,209 million). Net current assets increased to $905 million (31 December 2023: $761 million). This was primarily driven by an increase in inventories and receivables.

[14] See page 14 for a reconciliation of Group net debt to reported IFRS results

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## Statement of Directors' responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' (IAS 34), IAS 34 as issued by the International Accounting Standards Board (IASB), and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The maintenance and integrity of the Hikma Pharmaceuticals PLC website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that might have occurred to the interim financial statements since they were initially presented on the website.

By order of the Board

| | |
|---|---|
| Said Darwazah | Riad Mishlawi |
| Executive Chairman | Chief Executive Officer |
| 7 August 2024 | 7 August 2024 |

The Board of Directors that served during all or part of the six-month period to 30 June 2024 and their respective responsibilities can be found on the Leadership team section of www.hikma.com. This excludes Pat Butler, who stepped down from his position as a Non-Executive Director on 29 February 2024.

## Cautionary statement

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

## Definitions

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

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

*Core results*

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

*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 currencies other than the US dollar. In order to illustrate the underlying performance of these businesses, we include information on our results in constant currency.

Constant currency numbers in H1 2024 represent reported H1 2024 numbers translated using H1 2023 exchange rates, excluding price increases in the business resulting from the devaluation of currencies.

*EBITDA*

EBITDA is earnings before interest, tax, depreciation, amortisation, impairment charges, adjusted for exceptional items and other adjustments.

| **EBITDA**<br>**$ million** | **H1 2024** | H1 2023 |
|---|---|---|
| **Reported operating profit** | **351** | **245** |
| Depreciation | 47 | 48 |
| Amortisation | 49 | 48 |
| Impairment charges | 6 | 46 |
| Impairment on financial assets | - | 42 |
| Provision against inventories | - | 18 |
| Impairment charge on other current assets | - | 2 |
| Cost from halted operations in Sudan | - | 2 |
| **Core EBITDA** | **453** | **451** |

Core EBITDA for the twelve months ending 30 June 2024, which is used in the calculation of net debt to core EBITDA, was $813 million.

*Working capital days*

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

Group inventory x 365 divided by trailing 12 months Group reported cost of sales. Group payable days are calculated as Group trade payables x 365, divided by trailing 12 months Group reported cost of sales[15].

*Group net debt*

We believe Group net debt is a useful measure of the strength of the Group financial position. Group net debt includes long and short-term financial debts (Note 12), lease liabilities, net of cash and cash equivalents (Note 9) and restricted cash.

| **Group net debt**<br>**$ million** | **Jun-24** | **Dec-23** |
|---|---|---|
| Short-term financial debts | (206) | (150) |
| Short-term lease liabilities | (9) | (11) |
| Long-term financial debts | (1,017) | (975) |
| Long-term lease liabilities | (44) | (55) |
| **Total debt** | **(1,276)** | **(1,191)** |
| Cash | 236 | 205 |
| Restricted cash | - | 10 |
| **Net debt** | **(1,040)** | **(976)** |

**Forward looking statements**

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

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

Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulation ((EU) No. 596/2014) and the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), Hikma does not undertake to update the forward looking statements contained in this announcement to reflect any changes in events, conditions or circumstances

[15] Trailing 12 months Group revenue is calculated as Group revenue for the 12 months ending 30 June 2024 which equates to $3,017 million. Trailing 12 months Group reported cost of sales is calculated as Group reported cost of sales for the 12 months ending 30 June 2024 which equates to $1,586 million

on which any such statement is based or to correct any inaccuracies which may become apparent in such forward looking statements. Except as expressly provided in this announcement, no forward looking or other statements have been reviewed by the auditors of Hikma. All subsequent oral or written forward looking statements attributable to Hikma or any of its members, directors, officers or employees or any person acting on their behalf are expressly qualified in their entirety by the cautionary statement above. Past share performance cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit forecast.

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

**Principal risks and uncertainties**

The Group faces risks from a range of sources that could have a material impact on our financial commitments and ability to trade in the future. The principal risks are determined via robust assessment considering our risk context by the Board of Directors with input from executive management. The principal risks facing the company have not materially changed in the last six months, and are set out in the 2023 annual report on pages 71 – 74. 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.

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

hikma.

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

## Our conclusion

We have reviewed Hikma Pharmaceuticals PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Results of Hikma Pharmaceuticals PLC for the 6 month period ended 30 June 2024 (the "period").

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

The interim financial statements comprise:

- the Condensed consolidated interim balance sheet as at 30 June 2024;
- the Condensed consolidated interim income statement and the Condensed consolidated interim statement of comprehensive income for the period then ended;
- the Condensed consolidated interim statement of changes in equity for the period then ended;
- the Condensed consolidated interim cash flow statement for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results of Hikma Pharmaceuticals PLC have been prepared in accordance with UK adopted International Accounting Standard 34 'Interim Financial Reporting' and as issued by the International Accounting Standards Board (IASB) and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

## Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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

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

## Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern.

# Responsibilities for the interim financial statements and the review

## Our responsibilities and those of the Directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim Results, including the interim financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described

in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
7 August 2024

# Hikma Pharmaceuticals PLC
## Condensed consolidated interim income statement

| | Note | H1 2024 Core results $m (Unaudited) | H1 2024 Exceptional items and other adjustments (Note 5) $m (Unaudited) | H1 2024 Reported results $m (Unaudited) | H1 2023 Core results $m (Unaudited) | H1 2023 Exceptional items and other adjustments (Note 5) $m (Unaudited) | H1 2023 Reported results $m (Unaudited) |
|---|---|---|---|---|---|---|---|
| Revenue | 3 | 1,569 | - | 1,569 | 1,427 | - | 1,427 |
| Cost of sales | | (813) | - | (813) | (694) | (18) | (712) |
| **Gross profit/(loss)** | | **756** | **-** | **756** | **733** | **(18)** | **715** |
| Selling, general and administrative expenses | | (280) | (45) | (325) | (260) | (44) | (304) |
| Impairment loss on financial assets, net | | - | - | - | (4) | (42) | (46) |
| Research and development expenses | | (61) | - | (61) | (64) | - | (64) |
| Other operating expenses | | (14) | (6) | (20) | (5) | (52) | (57) |
| Other operating income | | 1 | - | 1 | 1 | - | 1 |
| **Total operating expenses** | | **(354)** | **(51)** | **(405)** | **(332)** | **(138)** | **(470)** |
| **Operating profit/(loss)** | 4 | **402** | **(51)** | **351** | **401** | **(156)** | **245** |
| Finance income | | 4 | - | 4 | 3 | - | 3 |
| Finance expense | | (44) | (24) | (68) | (44) | (2) | (46) |
| Group's share of profit of joint venture | | 1 | - | 1 | - | - | - |
| **Profit/(loss) before tax** | | **363** | **(75)** | **288** | **360** | **(158)** | **202** |
| Tax | 6 | (77) | 18 | (59) | (76) | 5 | (71) |
| **Profit/(loss) for the half-year** | | **286** | **(57)** | **229** | **284** | **(153)** | **131** |
| Attributable to: | | | | | | | |
| Non-controlling interests | | 3 | - | 3 | - | - | - |
| **Equity holders of the parent** | | **283** | **(57)** | **226** | **284** | **(153)** | **131** |
| | | **286** | **(57)** | **229** | **284** | **(153)** | **131** |
| **Earnings per share (cents)** | | | | | | | |
| Basic | | 128 | | 102 | 129 | | 59 |
| Diluted | | 127 | | 101 | 128 | | 59 |

# Hikma Pharmaceuticals PLC
## Condensed consolidated interim statement of comprehensive income

| | Note | H1 2024 Core results $m (Unaudited) | H1 2024 Exceptional items and other adjustments (Note 5) $m (Unaudited) | H1 2024 Reported results $m (Unaudited) | H1 2023 Core results $m (Unaudited) | H1 2023 Exceptional items and other adjustments (Note 5) $m (Unaudited) | H1 2023 Reported results $m (Unaudited) |
|---|---|---|---|---|---|---|---|
| **Profit for the half-year** | | **286** | **(57)** | **229** | **284** | **(153)** | **131** |
| **Other comprehensive expense** | | | | | | | |
| **Items that may subsequently be reclassified to the consolidated income statement, net of tax:** | | | | | | | |
| Currency translation and hyperinflation movement | | (41) | - | (41) | - | - | - |
| **Items that will not subsequently be reclassified to the consolidated income statement:** | | | | | | | |
| Change in investments at fair value through other comprehensive income (FVTOCI) | 8 | (5) | - | (5) | (5) | - | (5) |
| **Total other comprehensive income for the half-year** | | **(46)** | **-** | **(46)** | **(5)** | **-** | **(5)** |
| **Total comprehensive income for the half-year** | | **240** | **(57)** | **183** | **279** | **(153)** | **126** |
| Attributable to: | | | | | | | |
| Non-controlling interests | | 3 | - | 3 | - | - | - |
| **Equity holders of the parent** | | **237** | **(57)** | **180** | **279** | **(153)** | **126** |
| | | **240** | **(57)** | **183** | **279** | **(153)** | **126** |

# Hikma Pharmaceuticals PLC
## Condensed consolidated interim balance sheet

| | Note | 30 June 2024 $m (Unaudited) | 31 December 2023 $m (Audited) |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Goodwill | | 383 | 388 |
| Other intangible assets | | 711 | 712 |
| Property, plant and equipment | | 1,094 | 1,096 |
| Right-of-use assets | | 43 | 45 |
| Investment in joint ventures | | 11 | 10 |
| Deferred tax assets | | 235 | 226 |
| Financial and other non-current assets | 8 | 85 | 103 |
| | | **2,562** | **2,580** |
| ***Current assets*** | | | |
| Inventories | | 936 | 891 |
| Income tax receivable | | 28 | 49 |
| Trade and other receivables | | 937 | 824 |
| Cash and cash equivalents | 9 | 236 | 205 |
| Other current assets | 10 | 137 | 120 |
| Assets classified as held for sale | | 11 | 11 |
| | | **2,285** | **2,100** |
| **Total assets** | | **4,847** | **4,680** |
| ***Current liabilities*** | | | |
| Short-term financial debts | 12 | 206 | 150 |
| Lease liabilities | | 9 | 11 |
| Trade and other payables | | 541 | 568 |
| Income tax payable | | 84 | 74 |
| Provisions | | 151 | 152 |
| Other current liabilities | 11 | 389 | 384 |
| | | **1,380** | **1,339** |
| **Net current assets** | | **905** | **761** |
| ***Non-current liabilities*** | | | |
| Long-term financial debts | 12 | 1,017 | 975 |
| Lease liabilities | | 44 | 55 |
| Deferred tax liabilities | | 26 | 25 |
| Provisions | | 7 | 7 |
| Other non-current liabilities | 13 | 73 | 70 |
| | | **1,167** | **1,132** |
| **Total liabilities** | | **2,547** | **2,471** |
| **Net assets** | | **2,300** | **2,209** |
| **Equity** | | | |
| Share capital | | 40 | 40 |
| Share premium | | 282 | 282 |
| Other reserves | | (323) | (282) |
| Retained earnings | | 2,287 | 2,158 |
| **Equity attributable to equity holders of the parent** | | **2,286** | **2,198** |
| Non-controlling interests | | 14 | 11 |
| **Total equity** | | **2,300** | **2,209** |

The condensed consolidated interim financial information of Hikma Pharmaceuticals PLC for the six-month period ended 30 June 2024 was approved by the Board of Directors on 7 August 2024 and signed on its behalf by:

Said Darwazah
Executive Chairman

Riad Mishlawi
Chief Executive Officer

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

| | Note | Share capital | Share premium | Other reserves | | | | Translation reserve related to assets held for distribution | Retained earnings | Equity attributable to equity shareholders 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 31 December 2022 (audited) and 1 January 2023** | | **40** | **282** | 35 | (302) | 2 | **(265)** | **(14)** | **2,092** | **2,135** | **13** | **2,148** |
| Profit for the half-year | | - | - | - | - | - | **-** | - | 131 | **131** | - | **131** |
| Change in the fair value of investments at FVTOCI | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | (5) | **(5)** | **-** | **(5)** |
| **Total comprehensive income for the half-year** | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **126** | **126** | **-** | **126** |
| **Total transactions with owners, recognised directly in equity** | | | | | | | | | | | | |
| Cost of equity-settled employee share scheme | | - | - | - | - | - | **-** | - | 10 | **10** | - | **10** |
| Dividends paid | 7 | - | - | - | - | - | **-** | - | (82) | **(82)** | - | **(82)** |
| Other comprehensive income accumulated in equity related to assets no longer held for distribution | | - | - | - | (14) | - | **(14)** | 14 | - | **-** | - | **-** |
| **Balance at 30 June 2023 (unaudited)** | | **40** | **282** | **35** | **(316)** | **2** | **(279)** | **-** | **2,146** | **2,189** | **13** | **2,202** |
| **Balance at 31 December 2023 (audited) and 1 January 2024** | | **40** | **282** | 35 | (319) | 2 | **(282)** | **-** | **2,158** | **2,198** | **11** | **2,209** |
| Profit for the half-year | | - | - | - | - | - | **-** | - | 226 | **226** | 3 | **229** |
| Change in the fair value of investments at FVTOCI | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | (5) | **(5)** | **-** | **(5)** |
| Currency translation and hyperinflation movement | | - | - | - | (41) | - | **(41)** | - | - | **(41)** | - | **(41)** |
| **Total comprehensive income for the half-year** | | **-** | **-** | **-** | **(41)** | **-** | **(41)** | **-** | **221** | **180** | **3** | **183** |
| **Total transactions with owners, recognised directly in equity** | | | | | | | | | | | | |
| Cost of equity-settled employee share scheme | | - | - | - | - | - | **-** | - | 15 | **15** | - | **15** |
| Purchase of own shares held in employee benefit trust (EBT) | | - | - | - | - | - | **-** | - | (3) | **(3)** | - | **(3)** |
| Dividends paid | 7 | - | - | - | - | - | **-** | - | (104) | **(104)** | - | **(104)** |
| **Balance at 30 June 2024 (unaudited)** | | **40** | **282** | **35** | **(360)** | **2** | **(323)** | **-** | **2,287** | **2,286** | **14** | **2,300** |

Hikma Pharmaceuticals PLC
Condensed consolidated interim cash flow statement

| | Note | H1 2024 $m (Unaudited) | H1 2023 $m (Unaudited) |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 14 | **234** | **288** |
| Income taxes paid | | (36) | (67) |
| Income taxes received | | - | 1 |
| **Net cash inflow from operating activities** | | **198** | **222** |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | | (69) | (84) |
| Purchase of intangible assets | | (39) | (23) |
| Addition of investments at FVTOCI | | (2) | (5) |
| Proceeds from disposal of investment at FVTOCI | | - | 1 |
| Advance payment related to acquisition | | - | (10) |
| Deposit received related to asset held for sale | | 1 | - |
| Payments of contingent consideration liability | | (1) | (1) |
| Interest income received | | 4 | 3 |
| **Net cash outflow from investing activities** | | **(106)** | **(119)** |
| **Cash flow from financing activities** | | | |
| Proceeds from issue of long-term financial debts | | 211 | 537 |
| Repayment of long-term financial debts | | (148) | (546) |
| Proceeds from short-term borrowings | | 253 | 281 |
| Repayment of short-term borrowings | | (219) | (243) |
| Repayment of lease liabilities | | (16) | (5) |
| Dividends paid | 7 | (104) | (82) |
| Interest and bank charges paid | | (38) | (39) |
| Decrease in restricted cash | | 10 | - |
| Payment to co-development and earnout payment agreement | | (1) | (1) |
| **Net cash outflow from financing activities** | | **(52)** | **(98)** |
| **Net increase in cash and cash equivalents** | | **40** | **5** |
| **Cash and cash equivalents at beginning of the half-year** | | **205** | **270** |
| Foreign exchange translation movements | | (9) | (3) |
| **Cash and cash equivalents at end of the half-year** | 9 | **236** | **272** |

## 1. General information

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

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

## 2. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements (financial statements) for the six months ended 30 June 2024 have been prepared on a going concern basis in accordance with UK-adopted International Accounting Standard 34 'Interim Financial Reporting' (IAS 34), as issued by the International Accounting Standards Board (IASB), and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2023, which has been prepared in accordance with:

I. UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.
II. International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

The financial information does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. A copy of the statutory accounts for 2023 has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006. These interim financial statements have been reviewed, not audited.

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

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023 and the adoption of the new and amended standards set out below, with the exception of changes in estimates that are required in determining the provision for income taxes in accordance with IAS 34 at 30 June 2024.

### New standards, interpretations and amendments

The following revised Standards and Interpretations have been issued and are effective for annual periods beginning on 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 2. Basis of preparation and accounting policies continued

### New standards, interpretations and amendments continued

| | |
|---|---|
| IAS 1 (Amendments) | Classification of Liabilities as Current or Non-Current |
| IAS 1 (Amendments) | Non-current Liabilities with Covenants |
| IAS 7 and IFRS 7 (Amendments) | Supplier Finance Arrangements |
| IFRS 16 (Amendments) | Lease Liability in a Sale and Leaseback |

These amendments had no significant impact on the condensed consolidated interim financial statements of the Group but may impact the accounting for future transactions and arrangements.

### Going concern

The Directors have considered the going concern position of the Group at 30 June 2024. The Directors believe that the Group is well diversified due to its geographic spread, product diversity and large customer and supplier base. The Group's business activity, together with the factors likely to affect its future development, performance and position are set out in this Interim Results. The Interim Results also includes a summary of the financial position, cash flow and borrowing facilities. At 30 June 2024 the Group had undrawn long term committed banking facilities of $1,082 million. The Group's total debt at 30 June 2024 was $1,276 million while the Group's cash and cash equivalents at 30 June 2024 was $236 million making the net debt[1] $1,040 million. The Group's net debt to trailing core EBITDA of $813 million ratio was 1.3x at 30 June 2024 (31 December 2023: 1.2x). Taking into account the Group's current position and its principal risks for a period of at least 12 months from the date of this results announcement, a going concern assessment has been prepared using realistic scenarios, and applying a severe but plausible downside considering the principal risks facing the business. This assessment demonstrated sufficient liquidity headroom. Therefore, the Directors believe that the Group is adequately placed to manage its business and financing risks successfully, despite the current uncertain economic and political outlook. Having reassessed the principal risks, the Directors have concluded it is appropriate to adopt the going concern basis of accounting in preparing the interim financial information and there is no material uncertainty requiring disclosure in this regard.

Financial covenants are suspended while the Group retains its investment grade status from two rating agencies[2]. As of 30 June 2024, the Group's investment grade rating was affirmed by S&P and Fitch.

1. Net debt includes long and short-term financial debts and lease liabilities, net of cash and cash equivalents and restricted cash, (if any). Net debt excludes co-development and earnout payments, acquired contingent liabilities and contingent consideration.

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

## 3. Revenue from contracts with customers

### Business and geographical markets

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

| H1 2024 (unaudited) | Injectables $m | Generics $m | Branded $m | Others $m | Total $m |
|---|---|---|---|---|---|
| North America | 412 | 528 | - | 4 | 944 |
| Middle East and North Africa | 99 | - | 413 | 6 | 518 |
| Europe and Rest of the World | 92 | - | 6 | 3 | 101 |
| United Kingdom | 6 | - | - | - | 6 |
| | **609** | **528** | **419** | **13** | **1,569** |

| H1 2023 (unaudited) (revised) | Injectables[1] $m | Generics $m | Branded $m | Others[1] $m | Total $m |
|---|---|---|---|---|---|
| North America | 387 | 460 | - | 1 | 848 |
| Middle East and North Africa | 94 | - | 370 | 4 | 468 |
| Europe and Rest of the World | 98 | - | 5 | 3 | 106 |
| United Kingdom | 5 | - | - | - | 5 |
| | **584** | **460** | **375** | **8** | **1,427** |

1. During H2 2023, the Group 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 H1 2023 revenue of $1 million has therefore been reclassified to the Others segment.

The top selling markets are shown below:

| | H1 2024 $m (Unaudited) | H1 2023 $m (Unaudited) |
|---|---|---|
| United States | 929 | 837 |
| Saudi Arabia | 145 | 146 |
| Algeria | 129 | 111 |
| | **1,203** | **1,094** |

In H1 2024, revenue arising from the Generics and Injectables segments included sales the Group made to two wholesalers in the US, each accounting for equal to or greater than 10% of the Group's revenue: $200 million (13% of Group revenue) and $178 million (11% of Group revenue). In H1 2023, revenue included sales made to two wholesalers of $187 million (13% of Group revenue) and $175 million (12% of Group revenue).

## 4. Business segments

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

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

## 4. Business segments continued

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

| Injectables | H1 2024 Core results $m (Unaudited) | H1 2024 Exceptional items and other adjustments (note 5) $m (Unaudited) | H1 2024 Reported results $m (Unaudited) | H1 2023 Core results (revised)[2] $m (Unaudited) | H1 2023 Exceptional items and other adjustments (note 5) $m (Unaudited) | H1 2023 Reported results (revised)[2] $m (Unaudited) |
|---|---|---|---|---|---|---|
| Revenue | 609 | - | 609 | 584 | - | 584 |
| Cost of sales | (282) | - | (282) | (256) | (3) | (259) |
| **Gross profit/(loss)** | **327** | **-** | **327** | **328** | **(3)** | **325** |
| Total operating expenses | (106) | (31) | (137) | (107) | (43) | (150) |
| **Segment result** | **221** | **(31)** | **190** | **221** | **(46)** | **175** |

| Generics | H1 2024 Core results $m (Unaudited) | H1 2024 Exceptional items and other adjustments (note 5) $m (Unaudited) | H1 2024 Reported results $m (Unaudited) | H1 2023 Core results $m (Unaudited) | H1 2023 Exceptional items and other adjustments (note 5) $m (Unaudited) | H1 2023 Reported results $m (Unaudited) |
|---|---|---|---|---|---|---|
| Revenue | 528 | - | 528 | 460 | - | 460 |
| Cost of sales | (331) | - | (331) | (251) | - | (251) |
| **Gross profit** | **197** | **-** | **197** | **209** | **-** | **209** |
| Total operating expenses | (93) | (17) | (110) | (87) | (25) | (112) |
| **Segment result** | **104** | **(17)** | **87** | **122** | **(25)** | **97** |

| Branded | H1 2024 Core results $m (Unaudited) | H1 2024 Exceptional items and other adjustments (note 5) $m (Unaudited) | H1 2024 Reported results $m (Unaudited) | H1 2023 Core results $m (Unaudited) | H1 2023 Exceptional items and other adjustments (note 5) $m (Unaudited) | H1 2023 Reported results $m (Unaudited) |
|---|---|---|---|---|---|---|
| Revenue | 419 | - | 419 | 375 | - | 375 |
| Cost of sales | (187) | - | (187) | (176) | (15) | (191) |
| **Gross profit/(loss)** | **232** | **-** | **232** | **199** | **(15)** | **184** |
| Total operating expenses | (103) | (3) | (106) | (95) | (65) | (160) |
| **Segment result** | **129** | **(3)** | **126** | **104** | **(80)** | **24** |

| Others[1] | H1 2024 Core results $m (Unaudited) | H1 2024 Exceptional items and other adjustments (note 5) $m (Unaudited) | H1 2024 Reported results $m (Unaudited) | H1 2023 Core results (revised)[2] $m (Unaudited) | H1 2023 Exceptional items and other adjustments (note 5) $m (Unaudited) | H1 2023 Reported results (revised)[2] $m (Unaudited) |
|---|---|---|---|---|---|---|
| Revenue | 13 | - | 13 | 8 | - | 8 |
| Cost of sales | (13) | - | (13) | (11) | - | (11) |
| **Gross profit** | **-** | **-** | **-** | **(3)** | **-** | **(3)** |
| Total operating expenses | (3) | - | (3) | (2) | - | (2) |
| **Segment result** | **(3)** | - | **(3)** | **(5)** | **-** | **(5)** |

1. Others mainly comprises Arab Medical Containers LLC, International Pharmaceutical Research Center LLC and the 503B compounding business.

2. During H2 2023, the Group 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 H1 2023 revenue of $1 million and operating loss of $7 million have therefore been reclassified to the Others segment.

## 4. Business segments continued

| Group | H1 2024 Core results $m (Unaudited) | H1 2024 Exceptional items and other adjustments (note 5) $m (Unaudited) | H1 2024 Reported results $m (Unaudited) | H1 2023 Core results $m (Unaudited) | H1 2023 Exceptional items and other adjustments (note 5) $m (Unaudited) | H1 2023 Reported results $m (Unaudited) |
|---|---|---|---|---|---|---|
| Segments' results | 451 | (51) | 400 | 442 | (151) | 291 |
| Unallocated expenses[1] | (49) | - | (49) | (41) | (5) | (46) |
| **Operating profit/(loss)** | **402** | **(51)** | **351** | **401** | **(156)** | **245** |
| Finance income | 4 | - | 4 | 3 | - | 3 |
| Finance expense | (44) | (24) | (68) | (44) | (2) | (46) |
| Group's share of profit of joint venture | 1 | - | 1 | - | - | - |
| **Profit/(loss) before tax** | **363** | **(75)** | **288** | **360** | **(158)** | **202** |
| Tax | (77) | 18 | (59) | (76) | 5 | (71) |
| **Profit/(loss) for the half-year** | **286** | **(57)** | **229** | **284** | **(153)** | **131** |
| Attributable to: | | | | | | |
| Non-controlling interests | 3 | - | 3 | - | - | - |
| **Equity holders of the parent** | 283 | (57) | 226 | 284 | (153) | 131 |
| | **286** | **(57)** | **229** | **284** | **(153)** | **131** |

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

## 5. Exceptional items and other adjustments

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

| H1 2024 | | Injectables $m | Generics $m | Branded $m | Unallocated $m | Total $m |
|---|---|---|---|---|---|---|
| **Exceptional items and other adjustments** | | | | | | |
| Intangible assets amortisation other than software | SG&A | (25) | (17) | (3) | - | (45) |
| Impairment charge on property, plant and equipment and intangible assets | Other operating expenses | (6) | - | - | - | (6) |
| Remeasurement of contingent consideration and other financial liability | Finance expense | - | - | - | (23) | (23) |
| Unwinding of contingent consideration and other financial liability | Finance expense | - | - | - | (1) | (1) |
| **Exceptional items and other adjustments included in profit before tax** | | **(31)** | **(17)** | **(3)** | **(24)** | **(75)** |
| Tax effect | Tax | | | | | 18 |
| **Impact on profit for the half-year** | | | | | | **(57)** |

- Intangible assets amortisation other than software of $45 million.
- Impairment charge on property, plant and equipment and intangible assets: $6 million of impairment charge mainly relates to machinery and equipment associated with discontinued projects.
- Remeasurement of contingent consideration and other financial liability: $23 million primarily 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.
- Unwinding of contingent consideration and other financial liability: $1 million primarily represents the finance expense resulting from the unwinding of contingent consideration recognised through business combinations.

### 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.

## 5. Exceptional items and other adjustments continued

| H1 2023 | | Injectables $m | Generics $m | Branded $m | Unallocated $m | Total $m |
|---|---|---|---|---|---|---|
| **Exceptional items and other adjustments** | | | | | | |
| Impairment and cost in relation to halted operations in Sudan | —1 | (15) | - | (77) | - | (92) |
| Intangible assets amortisation other than software | SG&A | (23) | (17) | (3) | - | (43) |
| Impairment charges | Other operating expenses | (8) | (8) | - | (5) | (21) |
| Unwinding of contingent consideration and other financial liability | Finance expense | - | - | - | (2) | (2) |
| **Exceptional items and other adjustments included in profit before tax** | | **(46)** | **(25)** | **(80)** | **(7)** | **(158)** |
| Tax effect | Tax | | | | | 5 |
| **Impact on profit for the half-year** | | | | | | **(153)** |

1. The impact on the 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 subsequently escalated in other areas of the country. The Group evaluated the effect on the carrying values of the Group's assets, and as a consequence, a loss of $90m was recognised to reflect the fall in the recoverable amount of the assets listed below. A further $2 million of employee benefits and other expenses from the halted operations was classified as exceptional items.

| | | Injectables $m | Generics $m | Branded $m | Unallocated $m | Total $m |
|---|---|---|---|---|---|---|
| Provision against inventory | Cost of sales | (3) | - | (15) | - | (18) |
| Impairment charge on financial assets | Net impairment loss on financial assets | (12) | - | (30) | - | (42) |
| 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 | - | - | (1) | - | (1) |
| Cost from halted operations in Sudan | Other operating expenses | - | - | (1) | - | (1) |
| | | **(15)** | **-** | **(77)** | **-** | **(92)** |

- Intangible assets amortisation other than software of $43 million.
- Impairment charges: mainly comprise $14 million in relation to product related intangible assets and marketing rights as a result of the decline in performance and forecasted profitability as well as the termination of a business development contract, in addition to $5 million related to software.
- Unwinding of contingent consideration and other financial liability: $2 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.

### 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

The Group incurred a tax expense of $59 million (H1 2023: $71 million). The reported effective tax rate for H1 2024 is 20.5% (H1 2023: 35.1%), representing the best estimate of the average annual effective tax rate expected for the full year on a legal entity basis, applied to the pre-tax income for H1 2024 and adjusted for the tax effect of any discrete items recorded in the same period.

The prior year reported effective tax rate for the Group was higher than the same period this year primarily as a result of the impairment charge in relation to the situation in Sudan.

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

### Global minimum tax

The Group is within the scope of the OECD Pillar Two model rules.

Under the legislation, the Group is liable to pay a top-up tax for the difference between its Global Base Erosion (GloBE) effective tax rate per jurisdiction and the 15% minimum rate.

## 7. Dividends

| | H1 2024 $m (Unaudited) | H1 2023 $m (Unaudited) |
|---|---|---|
| Amounts recognised as distributions to equity holders in the period: | | |
| Final dividend for the year ended 31 December 2023 of 47 cents (2022: 37 cents) per share | 104 | 82 |
| | **104** | **82** |

The proposed interim dividend for H1 2024 is 32 cents (H1 2023: 25 cents) per share.

The proposed interim dividend will be paid on 20 September 2024 to eligible shareholders on the register at the close of business on 16 August 2024 and has not been included as a liability in these condensed consolidated interim financial statements.

Based on the number of shares in free issue at 30 June 2024 of 221,747,575 the total proposed interim dividend amount is $71 million.

## 8. Financial and other non-current assets

| | 30 June 2024 $m (Unaudited) | 31 December 2023 $m (Audited) |
|---|---|---|
| Investments at FVTOCI | 52 | 55 |
| Advance payment related to non-financial assets | 19 | 20 |
| Restricted cash | - | 10 |
| Other financial assets | 14 | 18 |
| | **85** | **103** |

**Investments at FVTOCI** mainly include venture capital investments which are not held for trading and which the Group irrevocably designated as measured at fair value through other comprehensive income.

During the period, the Group increased its investment in two existing ventures by $2 million.

The total portfolio as at 30 June 2024 includes two investments in listed companies with a readily determinable fair value that falls under level 1 valuation (Note 16), their values are measured based on quoted prices in active markets. The other investments are unlisted shares without readily determinable fair values that fall under level 3 valuation (Note 16). The fair value is estimated by management based on the cost of investment and adjusted as necessary for impairment and revaluations with reference to relevant available information and recent financing rounds.

During the period, the total change in fair value was a net loss of $5 million (H1 2023: net loss of $5 million) recognised in other comprehensive income.

**Advance payment related to non-financial assets** represents cash paid in advance that will be mainly utilised against the future acquisition of product licenses, materials or finished products.

**Restricted cash** balance as at 31 December 2023 represents the cash margin on a long-term loan.

**Other financial assets** balance at 30 June 2024 and 31 December 2023 mainly represented long-term receivables and a sublease arrangement in the US.

## 9. Cash and cash equivalents

| | 30 June 2024 $m (Unaudited) | 31 December 2023 $m (Audited) |
|---|---|---|
| Cash at banks and on hand[1] | 133 | 118 |
| Time deposits | 103 | 86 |
| Money market deposits | - | 1 |
| | **236** | **205** |

1. As at 30 June 2024, cash at banks includes $53 million placed in interest bearing accounts (31 December 2023: $56 million)

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

## 10. Other current assets

| | 30 June 2024 $m (Unaudited) | 31 December 2023 $m (Audited) |
|---|---|---|
| Prepayments | 81 | 72 |
| Investment at FVTPL | 24 | 24 |
| Others | 32 | 24 |
| | **137** | **120** |

**Investments at FVTPL** comprise a portfolio of debt instruments that are managed by an asset manager and which the Group designated as measured at fair value through profit and loss. These assets are classified as level 1 as they are based on quoted prices in active markets (Note 16).

**Others** balances mainly represent compensation due from suppliers in relation to inventory price adjustments.

## 11. Other current liabilities

| | 30 June 2024 $m (Unaudited) | 31 December 2023 $m (Audited) |
|---|---|---|
| Contract and refund liabilities | 182 | 179 |
| Co-development and earnout payment (Note 13 and 16) | - | 1 |
| Acquired contingent liability (Note 13) | 18 | 13 |
| Contingent consideration (Note 13 and 16) | 33 | 25 |
| Indirect rebates and other allowances | 138 | 145 |
| Others | 18 | 21 |
| | **389** | **384** |

**Contract and refund liabilities**: the Group allows customers to return products within a specified period prior to and subsequent to the expiration date. In addition, free goods are issued to customers as sale incentives, reimbursement of agreed upon expenses incurred by the customer or as compensation for expired or returned goods.

**Indirect rebates and other allowances**: mainly represent rebates granted to healthcare authorities and certain indirect customers under contractual arrangements.

## 12. Financial debts

### Short-term financial debts

| | 30 June 2024 $m (Unaudited) | 31 December 2023 $m (Audited) |
|---|---|---|
| Bank overdrafts | 4 | 2 |
| Import and export financing[1] | 72 | 44 |
| Short-term loans | 3 | - |
| Current portion of long-term loans | 127 | 104 |
| | **206** | **150** |

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

## 12. Financial debts continued

### Long-term financial debts

| | 30 June 2024 $m (Unaudited) | 31 December 2023 $m (Audited) |
|---|---|---|
| Long-term loans | 646 | 582 |
| Long-term borrowings (Eurobond) | 498 | 497 |
| | **1,144** | **1,079** |
| Less: current portion of long-term loans | (127) | (104) |
| **Long-term financial loans** | **1,017** | **975** |
| Breakdown by maturity: | | |
| Within one year | 127 | 104 |
| In the second year | 618 | 604 |
| In the third year | 104 | 100 |
| In the fourth year | 97 | 208 |
| In the fifth year | 196 | 59 |
| In the sixth year | 2 | 4 |
| | **1,144** | **1,079** |

The loans are held at amortised cost.

Major loan arrangements include:

a) $1,150 million syndicated revolving credit facility that matures on 04 January 2029. At 30 June 2024, the facility had an outstanding balance of $100 million (31 December 2023: $nil) and a fair value of $100 million (31 December 2023: $nil) and an unutilised amount of $1,050 million (31 December 2023: $1,150 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 30 June 2024, the bond had a carrying value of $498 million (31 December 2023: $497 million) and a fair value of $485 million (31 December 2023: $481 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 30 June 2024, the facility had an outstanding balance of $187 million (31 December 2023: $315 million) and a fair value of $187 million (31 December 2023: $315 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 30 June 2024, the facility had an outstanding balance of $200 million (31 December 2023: $100 million) and a fair value of $200 million (31 December 2023: $100 million). The proceeds were used for general corporate purposes.

e) A $150 million ten-year loan facility from the International Finance Corporation that matures on 15 December 2027. At 30 June 2024, the facility had an outstanding balance of $75 million (31 December 2023: $86 million) and a fair value of $69 million (31 December 2023: $80 million). The proceeds were used for general corporate purposes.

## 12. Financial debts continued

### Long-term financial debts continued

At 30 June 2024, the Group is in full compliance with debt covenants. The carrying value of long-term debts that contain covenants is immaterial as at the reporting period. The covenants that are required to be complied with after the end of the current interim period do not affect the classification of the related borrowings as current or non-current at the end of the current interim period. Therefore, all these borrowings remain classified as non-current liabilities.

## 13. Other non-current liabilities

| | 30 June 2024 $m (Unaudited) | 31 December 2023 $m (Audited) |
|---|---|---|
| Contingent consideration (Note 11 and 16) | 31 | 16 |
| Acquired contingent liability (Note 11) | 41 | 54 |
| Others | 1 | - |
| | **73** | **70** |

**Contingent consideration and acquired contingent liabilities** represent contractual liabilities to make payments to third parties in the form of milestone payments that depend on the achievement of certain US FDA approval milestones; and payments based on future sales of certain products. These liabilities were recognised as part of the Columbus business acquisition in 2016. The current portion of these liabilities are recognised in other current liabilities (Note 11).

The contingent consideration liability is accounted for as a financial liability at fair value under IFRS 9 (Note 16).

The acquired contingent liability was recognised as part of the Columbus business acquisition in 2016. On acquisition, the contingent liability was recognised at fair value under IFRS 3 ’Business Combinations’ and it is subsequently measured at the higher of the amount that would be recognised under IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ and the amount initially recognised less any settlements made in respect of the liability.

## 14. Cash generated from operating activities

| | H1 2024 $m (Unaudited) | H1 2023 $m (Unaudited) |
|---|---|---|
| **Profit before tax** | 288 | 202 |
| Adjustments for depreciation, amortisation and impairment charges of: | | |
| Property, plant and equipment | 47 | 68 |
| Intangible assets | 50 | 69 |
| Right-of-use of assets | 5 | 5 |
| Cost of equity-settled employee share scheme | 15 | 10 |
| Finance income | (4) | (3) |
| Finance expense | 68 | 46 |
| Foreign exchange loss and net monetary hyperinflation impact | 14 | 6 |
| Gain on termination of lease | (1) | |
| Group's share of profit of joint venture | (1) | - |
| **Changes in working capital:** | | |
| Change in trade and other receivables | (130) | (75) |
| Change in other current assets | (19) | (20) |
| Change in inventories | (66) | (86) |
| Change in trade and other payables | (24) | 32 |
| Change in other current liabilities | 3 | 37 |
| Change in provisions | 1 | (1) |
| Change in other non-current liabilities | (13) | (5) |
| Change in other non-current assets | 1 | 3 |
| **Cash flow from operating activities** | **234** | **288** |

## 15. Reconciliation of movement in net debt

| | H1 2024 $m (Unaudited) | H1 2023 $m (Unaudited) |
|---|---|---|
| *Interest-bearing loans and borrowings (Note 12)* | | |
| Balance at 1 January | 1,125 | 1,213 |
| Proceeds from issue of long-term financial debts | 211 | 537 |
| Proceeds from issue of short-term financial debts | 253 | 281 |
| Repayment of long-term financial debts | (148) | (546) |
| Repayment of short-term financial debts | (219) | (243) |
| Amortisation of upfront fees | 2 | 1 |
| Foreign exchange translation movements | (1) | - |
| Balance at 30 June | **1,223** | **1,243** |
| | | |
| *Lease liabilities* | | |
| Balance at 1 January | 66 | 70 |
| Additions | 4 | 4 |
| Adjustments | (1) | - |
| Repayment of lease liabilities | (16) | (5) |
| Balance at 30 June | **53** | **69** |
| | | |
| Total Debt | **1,276** | **1,312** |
| Cash and cash equivalents (Note 9) | (236) | (272) |
| Net debt[1] | **1,040** | **1,040** |

1. Net debt includes long and short-term financial debts and lease liabilities, net of cash and cash equivalents. Net debt excludes co-development and earnout payments, acquired contingent liabilities and contingent consideration.

## 16. Fair value of financial assets and liabilities

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

The carrying value of the following financial assets/liabilities are not significantly different from their fair values, as explained below:

- Cash at bank and on hand and time deposits – due to the short-term maturities of these financial instruments and given that they generally have negligible credit risk, management considers the carrying amounts to be not significantly different from their fair values
- Restricted cash (Note 8) – the fair value of restricted cash is not considered to be significantly different from the carrying value
- Other financial assets (Note 8) – mainly represent long-term receivables carried at amortised cost, of which the fair value is estimated not to be significantly different from the respective carrying amounts
- Receivables and payables – the fair values of receivables and payables are estimated to not be significantly different from the respective carrying amounts
- Short-term loans and overdrafts approximate to their fair value because of the short maturity of these instruments
- Long-term loans – loans with variable rates are re-priced in response to any changes in market rates and so management considers their carrying values to be not significantly different from their fair values

**16. Fair value of financial assets and liabilities continued**

Loans with fixed rates relate mainly to:

- $500 million 3.25% five-year Eurobond with a carrying value of $498 million at 30 June 2024 and fair value of $485 million accounted for at amortised cost. The fair value is determined with reference to a quoted price in an active market as at the balance sheet date (a level 1 fair value)
- A ten-year $150 million loan from the International Finance Corporation with an outstanding balance of $75 million at 30 June 2024 and a fair value of $69 million. Fair value is estimated by discounting future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities of such loans (a level 2 fair value)

Management classifies items that are recognised at fair value based on the level of the inputs used in their fair value determination as described below:

- **Level 1**: Quoted prices in active markets for identical assets or liabilities
- **Level 2**: Inputs that are observable for the asset or liability
- **Level 3**: Inputs that are not based on observable market data

The following financial assets/liabilities are presented at their fair value:

| Fair value measurements<br>At 30 June 2024 (unaudited) | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Investments at FVTPL (Note 10) | 24 | - | - | **24** |
| Investments in listed companies at FVTOCI (Note 8) | 1 | - | - | **1** |
| Investments in unlisted shares at FVTOCI (Note 8) | - | - | 51 | **51** |
| **Total financial assets** | **25** | **-** | **51** | **76** |
| **Financial Liabilities** | | | | |
| Contingent consideration liability (Note 11 and 13) | - | - | 64 | **64** |
| **Total financial liabilities** | **-** | **-** | **64** | **64** |

| Fair value measurements<br>At 31 December 2023 (audited) | **Level1** | **Level2** | **Level3** | **Total** |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Investments at FVTPL (Note 10) | 24 | - | - | **24** |
| Money market deposit (Note 9) | 1 | - | - | **1** |
| Investments in listed shares at FVTOCI (Note 8) | 2 | - | - | **2** |
| Investments in unlisted shares at FVTOCI (Note 8) | - | - | 53 | **53** |
| **Total financial assets** | **27** | **-** | **53** | **80** |
| **Financial Liabilities** | | | | |
| Co-development and earnout payment liabilities (Note 11 and 13) | - | - | 1 | **1** |
| Contingent consideration liability (Note 11 and 13) | - | - | 41 | **41** |
| **Total financial liabilities** | **-** | **-** | **42** | **42** |

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

The following table presents the changes in Level 3 items for H1 2024, and the year ended 31 December 2023:

| | Financial asset $m | Financial liability $m |
|---|---|---|
| **Balance at 1 January 2023 (audited)** | 38 | 45 |
| Settled | - | (8) |
| Remeasurement of contingent consideration and other financial liability recognised in finance expense | - | 2 |
| Unwinding of contingent consideration and other financial liability recognised in finance expense | - | 3 |
| Change in fair value of investments at FVTOCI (Note 8) | (10) | - |
| Additions of investments at FVTOCI (Note 8) | 27 | - |
| Sale of investment at FVTOCI (Note 8) | (2) | - |
| **Balance at 31 December 2023 and 1 January 2024 (audited)** | **53** | **42** |
| Settled | - | (2) |
| Remeasurement of contingent consideration and other financial liability recognised in finance expense (Note 5, 11 and 13) | - | 23 |
| Unwinding of contingent consideration and other financial liability recognised in finance expense (Note 5, 11 and 13) | - | 1 |
| Change in fair value of investments at FVTOCI (Note 8) | (4) | - |
| Additions of investments at FVTOCI (Note 8) | 2 | - |
| **Balance at 30 June 2024 (unaudited)** | **51** | **64** |

## 17. Related party balances and transactions

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

## 18. Contingent liabilities

### Standby letters of credit and letters of guarantees

A contingent liability existed at the balance sheet date in respect of standby letters of credit and letters of guarantees totalling $45 million (31 December 2023: $55 million) arising in the normal course of business. No provision for these liabilities has been made in these financial statements.

A contingent liability existed at the balance sheet date for standby letters of credit totalling $14 million (31 December 2023: $14 million) for potential stamp duty obligations that may arise from the repayment of loans by intercompany guarantors. It is not probable that the repayment will be made by the intercompany guarantors.

## 18. Contingent liabilities continued

### 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 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.

In the proceedings noted herein, the Group currently believes it has meritorious defences and intends to vigorously defend itself. 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. Litigation outcomes and contingencies are unpredictable and excessive verdicts can occur. Any legal proceeding, regardless of the merits, might result in substantial costs to defend or settle or otherwise negatively affect our business.

- *In Re Generic Pharmaceuticals Pricing Antitrust Litigation.* Starting in 2016, more than 30 complaints have been filed against Group entities in the United States on behalf of putative classes of direct and indirect purchasers of generic drug products, as well as several individual direct action retailer and third-party payor plaintiffs. These complaints 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 certain generic drug products during the periods of approximately 2010 and 2016. The plaintiffs seek unspecified treble monetary damages, which can be significantly higher than the profits Hikma made on the alleged 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 in the proceedings, the Group does not believe sufficient evidence exists to make a reasonable estimate of any potential liability.

- *Xyrem® (Sodium Oxybate) Antitrust Litigation.* Starting in June 2020, more than 20 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, Jazz Pharmaceuticals PLC, and other defendants. These complaints allege that Jazz and its subsidiaries entered into unlawful "pay-for-delay" anticompetitive reverse payment agreements with Hikma and other defendants in settling patent infringement lawsuits over Xyrem® and delaying generic competition to Xyrem®. The plaintiffs in these lawsuits seek treble monetary 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. Currently, most of these cases have been consolidated for pretrial purposes in a multidistrict litigation ("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.)). A jury trial involving most of the MDL plaintiffs has been scheduled to start on October 28, 2024 in California. Hikma was also named as a defendant in a substantially similar action filed by Aetna Inc. in California state court (*Aetna Inc. v. Jazz Pharms., Inc. et al*, No. 22 CV 010951 (Cal. Super. Ct.)). The *Aetna* matter is in an early stage and does not yet have a trial date. At this point, the Group does not believe sufficient evidence exists to make a reasonable estimate of any potential liability.

**18. Contingent liabilities continued**

**Legal proceedings continued**

- *Amarin Pharma Inc. v. Hikma Pharmaceuticals PLC.* 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, distribution and marketing of its generic icosapent ethyl product infringe 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 alleged patented methods but rather is approved only for a different indication not covered by any valid patents. In January 2022 the district court dismissed the lawsuit, and Amarin appealed the court's ruling to the United States Court of Appeals for the Federal Circuit. On June 25, 2024, the Federal Circuit reversed the district court's decision, held that Amarin has plausibly pleaded a potential claim for induced infringement, and remanded the case for further proceedings at the district court. Hikma intends to appeal this panel decision for reconsideration *en banc* by the Federal Circuit. At this point, the Group does not believe sufficient evidence exists to make a reasonable estimate of any potential liability.