



aspen  
H O L D I N G S

# Annual Results 2013





# Financial Highlights

**Revenue**

**+27% to R19.3 billion**

- From continuing operations

**Operating profit**

**+28% to R5.0 billion**

- From continuing operations

**Normalised diluted headline EPS**

**+31% to 836 cents**

- From continuing operations

**Cash generated from operating activities**

**+37% to R4.0 billion**



# Statement of Comprehensive Income

## CONTINUING OPERATIONS

	Year ended 30 June 2013 R'million	Year ended 30 June 2012 R'million	% change
<b>Revenue</b>	19 308	15 256	+27%
Cost of sales	(10 077)	(7 980)	
<b>Gross profit</b>	9 231	7 276	+27%
Net operating expenses	(3 932)	(3 123)	
<b>EBITA</b>	5 299	4 153	+28%
Amortisation	(256)	(212)	
<b>Operating profit</b>	5 043	3 941	+28%
Net funding costs	(554)	(501)	
<b>Profit before tax</b>	4 489	3 440	+31%
Tax	(975)	(772)	
<b>Profit after tax from continuing operations</b>	3 514	2 668	+32%
<b>Basic Earnings per share (EPS)</b>	773.0 cents	609.3 cents	+27%
<b>Headline earnings per share (HEPS)</b>	788.0 cents	649.7 cents	+21%
<b>Normalised diluted HEPS</b>	836.2 cents	636.2 cents	+31%



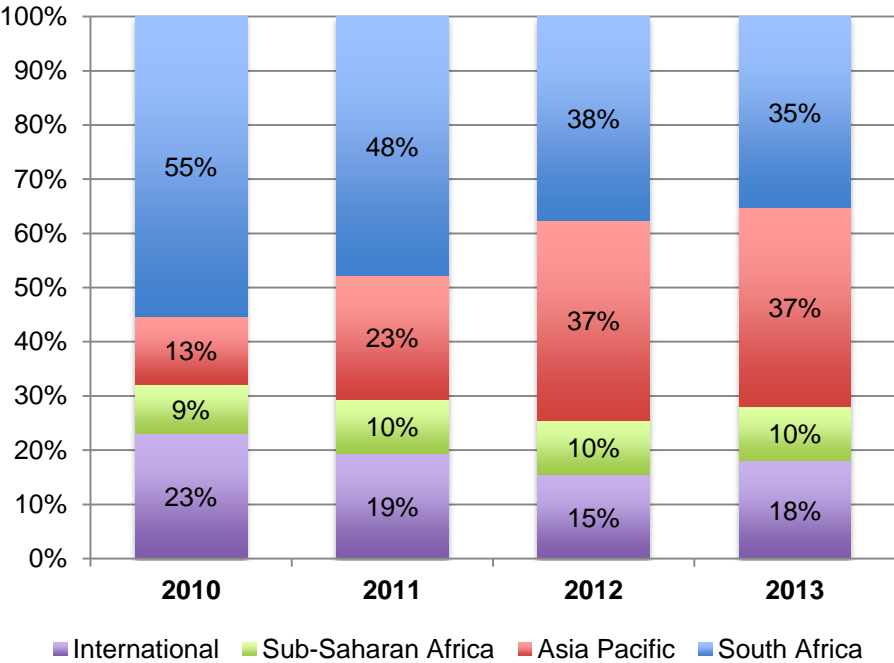
# Comparative reconciliation of earnings per share

	Year ended 30 June 2013 Cents	Year ended 30 June 2012 Cents	% change
<b>Basic earnings per share (EPS)</b>	773.0	645.8	+20%
Discontinued operations	-	(36.5)	
<b>Basic EPS from continuing operations</b>	773.0	609.3	+27%
Impairments	15.0	40.4	
<b>Headline EPS from continuing operations</b>	788.0	649.7	+21%
Restructuring costs	23.3	11.9	
Transaction costs	18.0	5.7	
Foreign exchange gain on transaction funding	-	(7.9)	
Settlement of product litigation	8.0	-	
<b>Normalised HEPS from continuing operations</b>	837.3	659.4	+27%
Dilution	(1.1)	(23.2)	
<b>Normalised diluted HEPS from continuing operations</b>	836.2	636.2	+31%

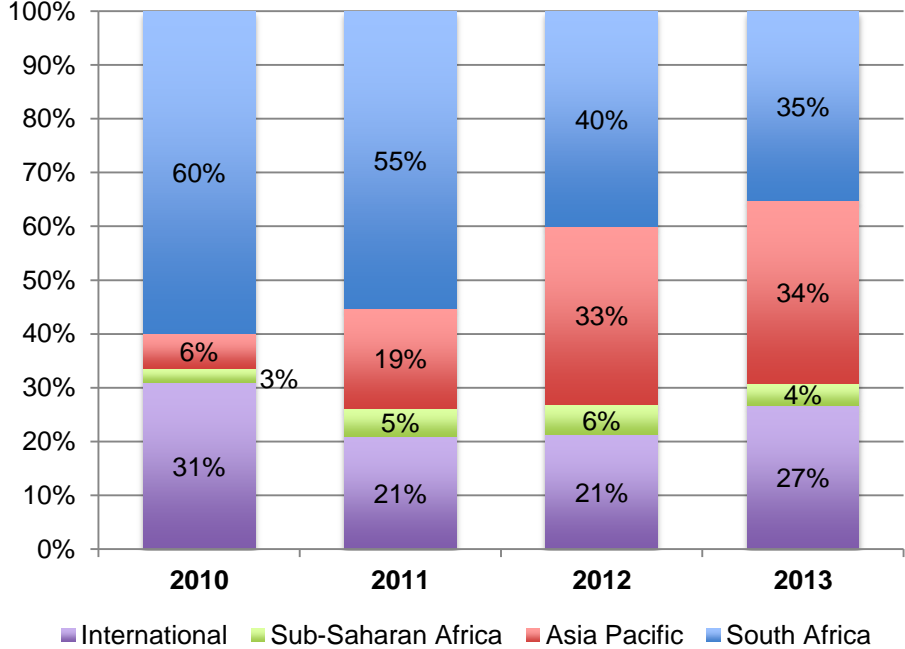


# Segmental contribution

### Gross revenue by region



### Normalised EBITA\* by region



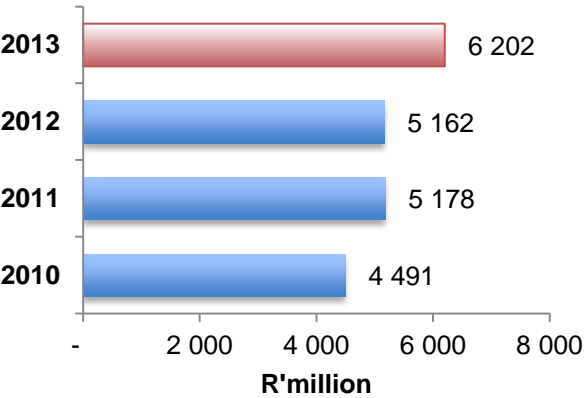
\* Normalised EBITA – Earnings before interest, tax and amortisation adjusted for specific non-trading items.

**Asia Pacific the biggest revenue contributor**

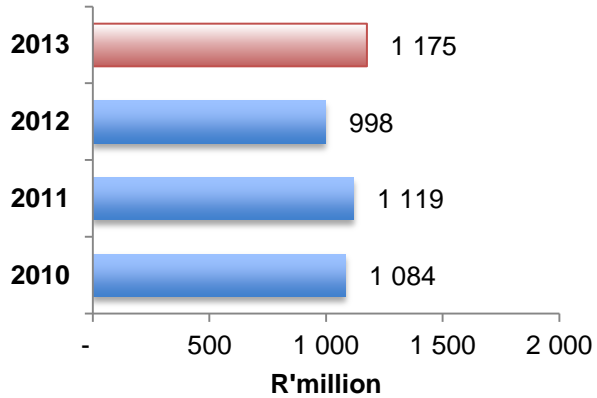


# Revenue by customer geography

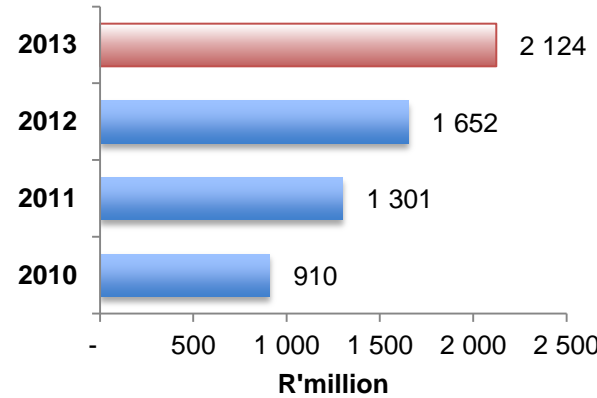
### SA Pharma +20%



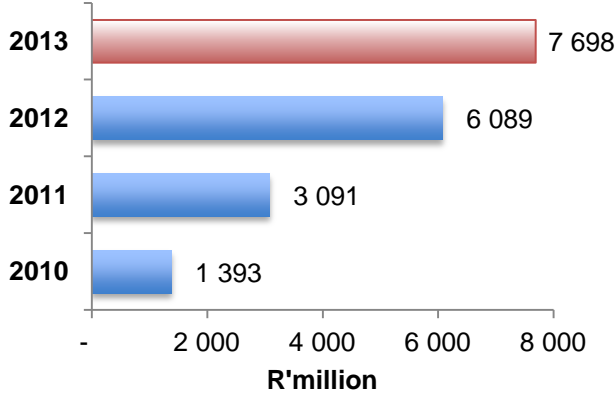
### SA Consumer +18%



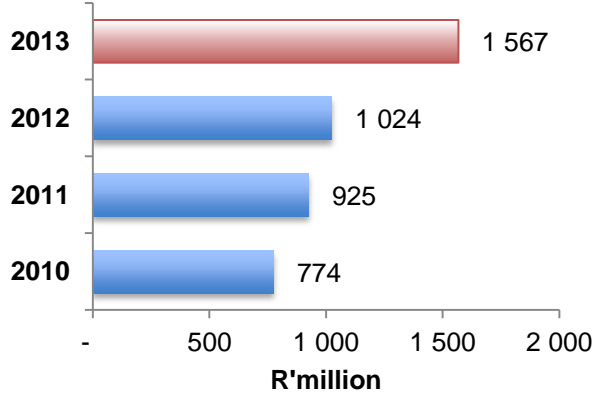
### SSA +29%



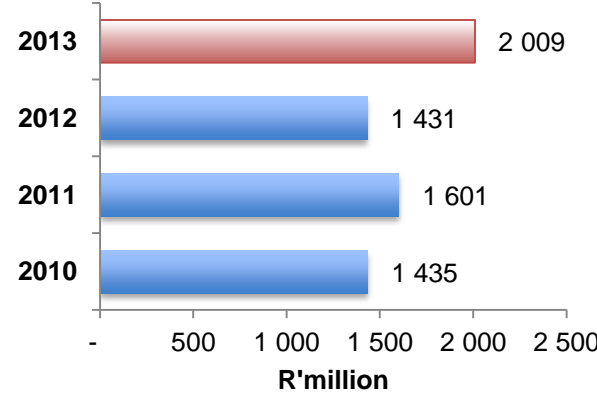
### Asia Pacific +26%



### Latin America +53%

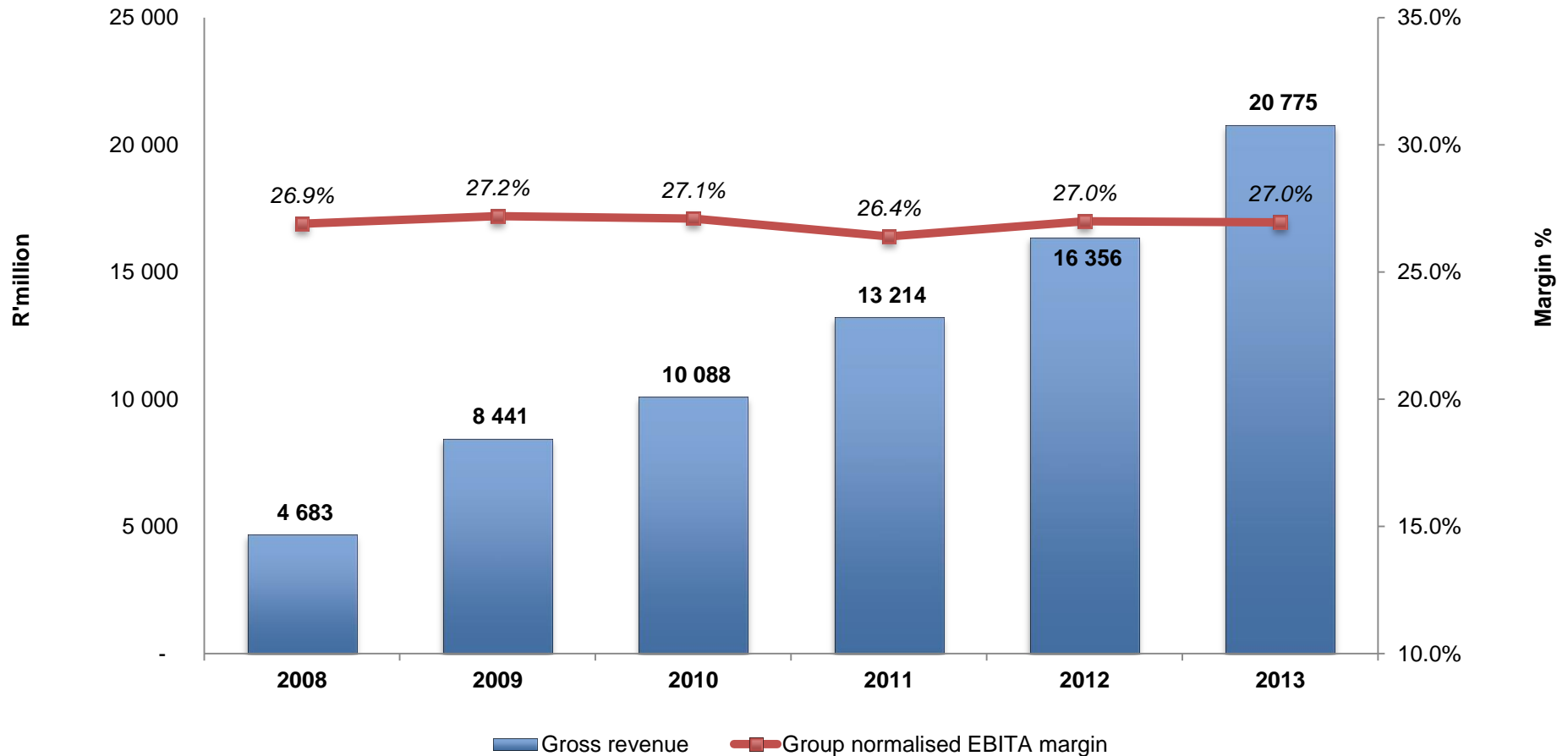


### Rest of World +40%





# Group operating margin



\* Normalised EBITA – Earnings before interest, tax and amortisation adjusted for specific non-trading items.



# South African business review

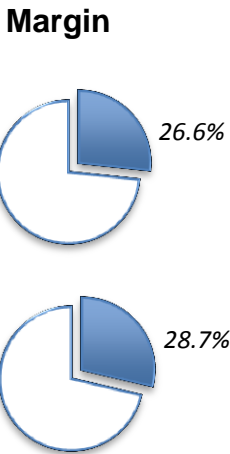
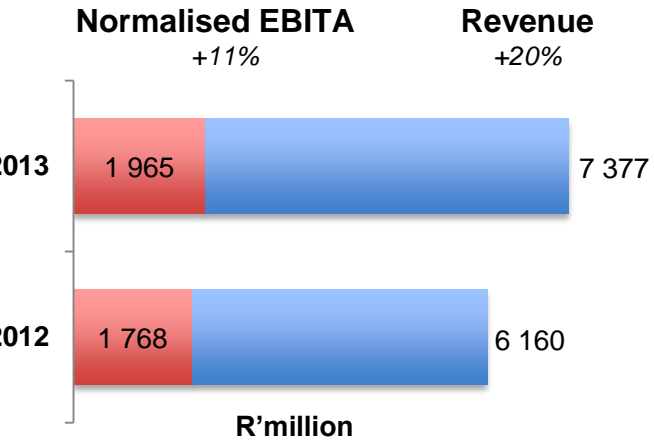
## What we said last year?

- Return to growth
- Pharma division well set
- Strong product pipeline
- Legislative uncertainty
- Awarded largest portion of OSD tender
- Nutritionals innovation

## How we performed?

- Strong organic growth
- Momentum continued
- Leader in products launched by value
- No change
- Public sector important growth driver
- Growing-up-milks and ready-to-feed milks launched

## Performance highlights



## Outlook

- Continuation of organic growth
- Improved performance from Consumer
- Pressure on margins from currency weakness
- Legislative uncertainty





# Asia Pacific business review

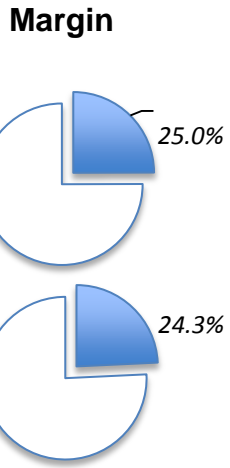
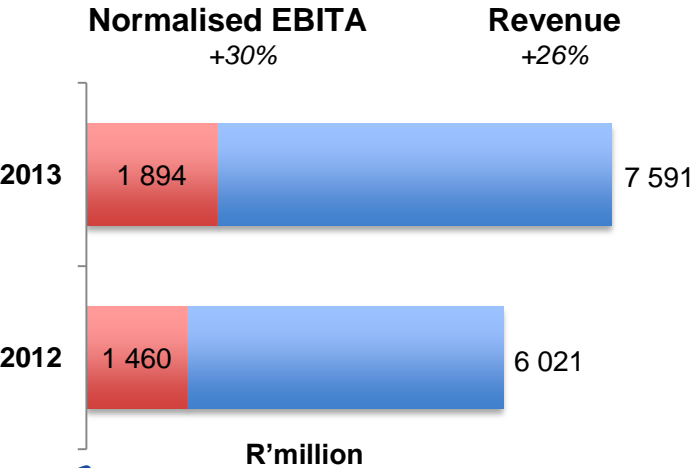
## What we said last year?

- Biggest contributor to revenue
- Further price disclosure cuts
- Gains from procurement network
- Rationalisation of manufacturing facilities
- Opportunities from unique positioning
- SE Asia expansion

## How we performed?

- ➔ Biggest contributor to revenue
- ➔ Lost revenue and margin
- ➔ Supported margin percentage
- ➔ Closure of Baulkham Hills announced
- ➔ Deal with independent pharmacies
- ➔ Malaysia, Taiwan

## Performance highlights



## Outlook

- Acquired products to drive growth
- Price disclosure cuts continue to erode
- Further cost of goods savings
- Beneficiary of impending transactions
- Expansion in Asia



# International business review

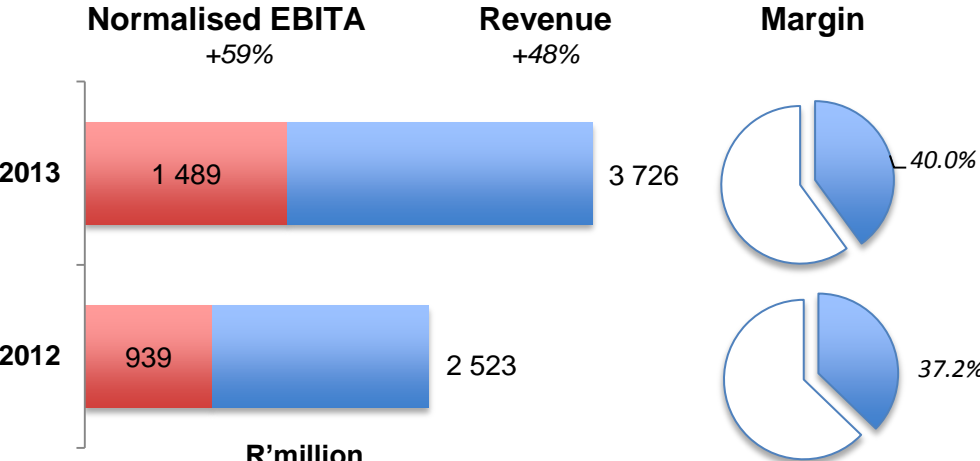
## What we said last year?

- Expansion of portfolio
- Expanded territorial presence
- Ongoing COGS reduction projects

## How we performed?

- Pending acquisitions
- Pending acquisitions
- Improved margins

## Performance highlights



## Outlook

- Further benefits from margin improvement projects
- Significant additions to product portfolio
- Establishment of affiliates in the CIS and Europe
- Extension of business in Latin America



# Sub Saharan Africa business review

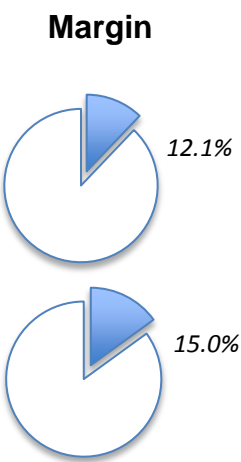
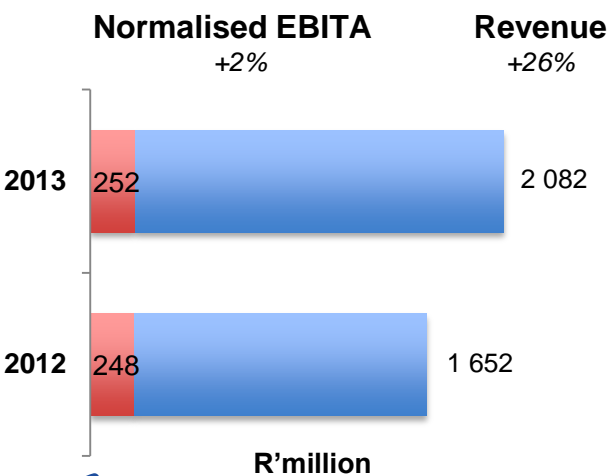
## What we said last year?

- New product launches
- Growth strategies
- Political uncertainty

## How we performed?

- ➔ 37 products launched
- ➔ Partially effective
- ➔ Constrained performance in Kenya and Nigeria

## Performance highlights



## Outlook

- Continuation of second half momentum
- On going vulnerability to geo-political factors



# Statement of Financial Position

## ASSETS

### Non-current assets

Property, plant and equipment

Intangible assets

Goodwill

Other non-current assets

### Current assets

Cash

### Total assets

## EQUITY AND LIABILITIES

Share capital and reserves

Non-current liabilities

Non-current interest-bearing liabilities

Other non-current liabilities

Current interest-bearing liabilities

Other current liabilities

### Total equity and liabilities

As at  
30 June 2013  
R'million

29 645

4 343

18 933

5 973

396

9 758

6 019

45 422

As at  
30 June 2012  
R'million

21 287

3 807

11 870

5 344

266

7 118

3 314

31 719

22 799

9 758

8 924

834

8 153

4 712

45 422

17 398

7 000

6 254

746

4 127

3 194

31 719

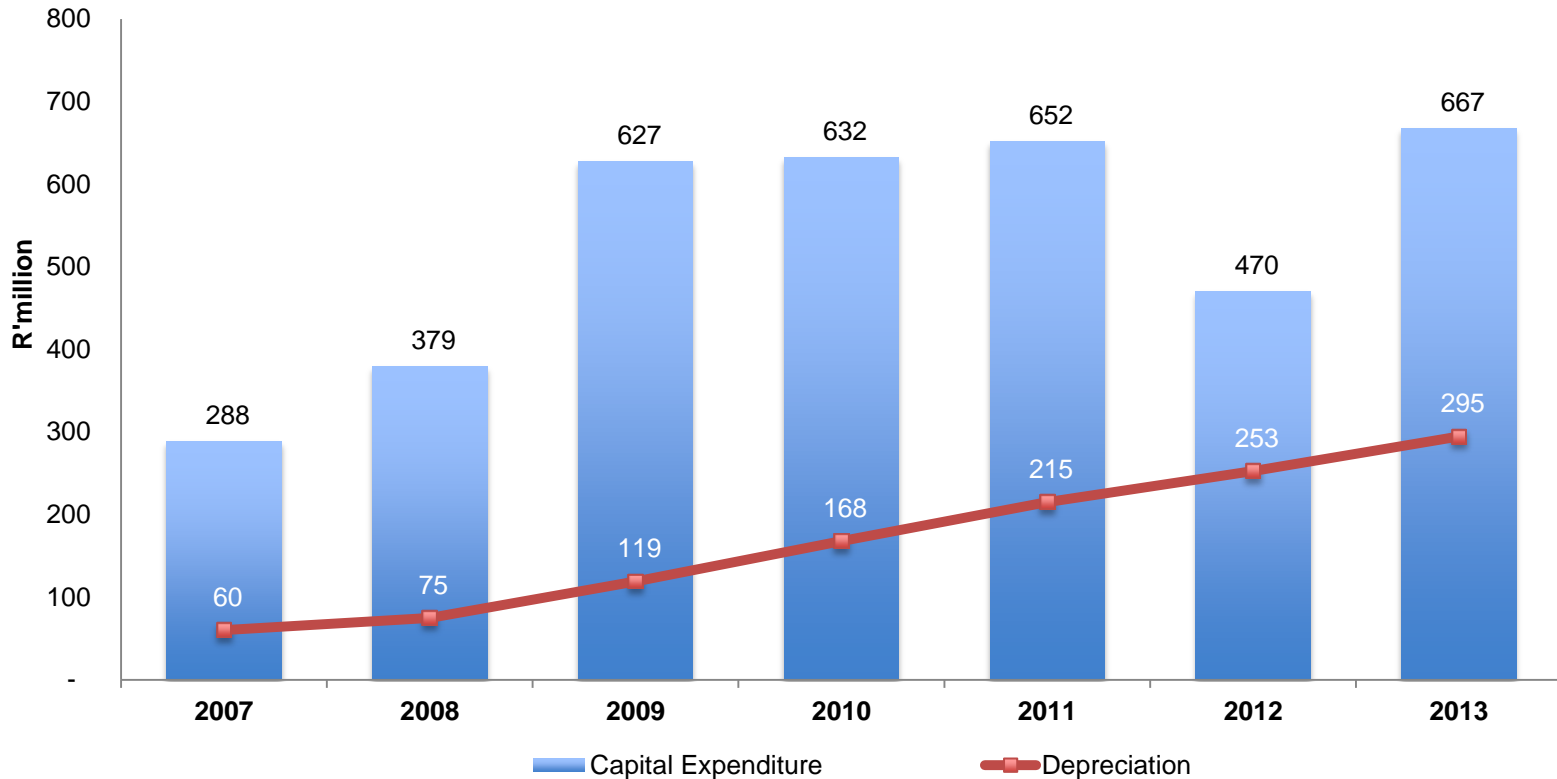


# Operating cash flows

	Year ended 30 June 2013 R'million	Year ended 30 June 2012 R'million	% change
<b>Cash operating profit</b>	5 960	4 746	<b>+26%</b>
Changes in working capital	(590)	(870)	
<b>Cash generated from operations</b>	<u>5 370</u>	<u>3 876</u>	<b>+39%</b>
Net finance costs paid	(585)	(514)	
Tax paid	(799)	(454)	
<b>Cash generated from operating activities</b>	<u>3 986</u>	<u>2 908</u>	<b>+37%</b>
Discontinued operations	-	(2)	
<b>Cash generated from continuing operations</b>	<u>3 986</u>	<u>2 906</u>	<b>+37%</b>
<b>Diluted operating cash flow per share from continuing operations</b>	<i>874.1 cents</i>	<i>638.6 cents</i>	<b>+37%</b>
<b>Operating profit to cash flow conversion rate</b>	109%	102%	
<b>Working capital as a % of Revenue</b>	27.0%	27.2%	



# Investment in Property, Plant and Equipment

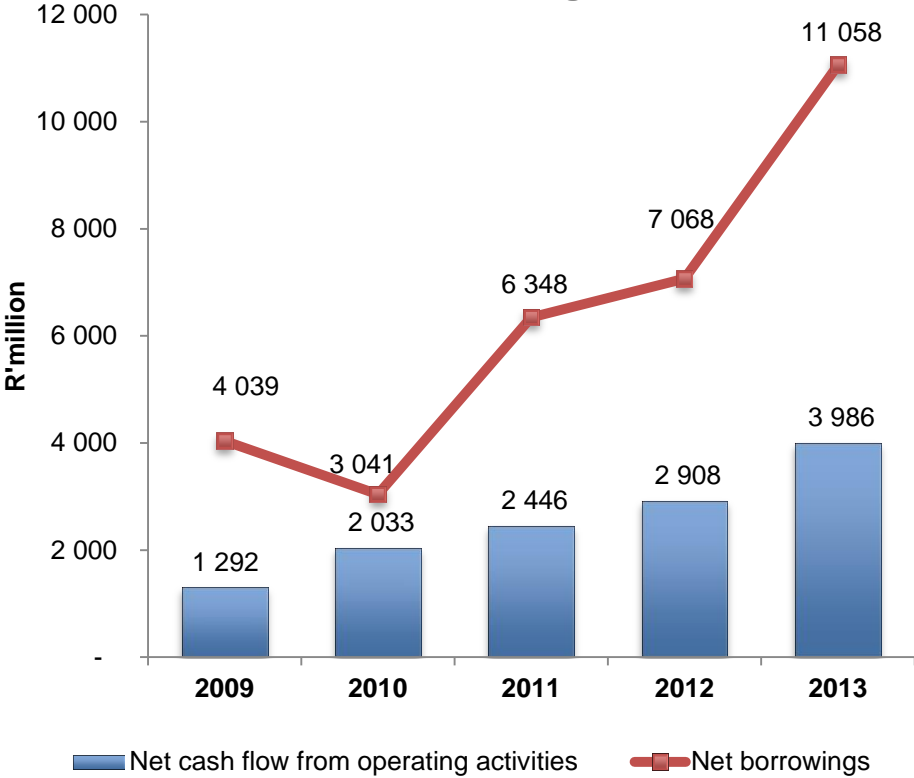


**R3.7 billion invested over 7 years**

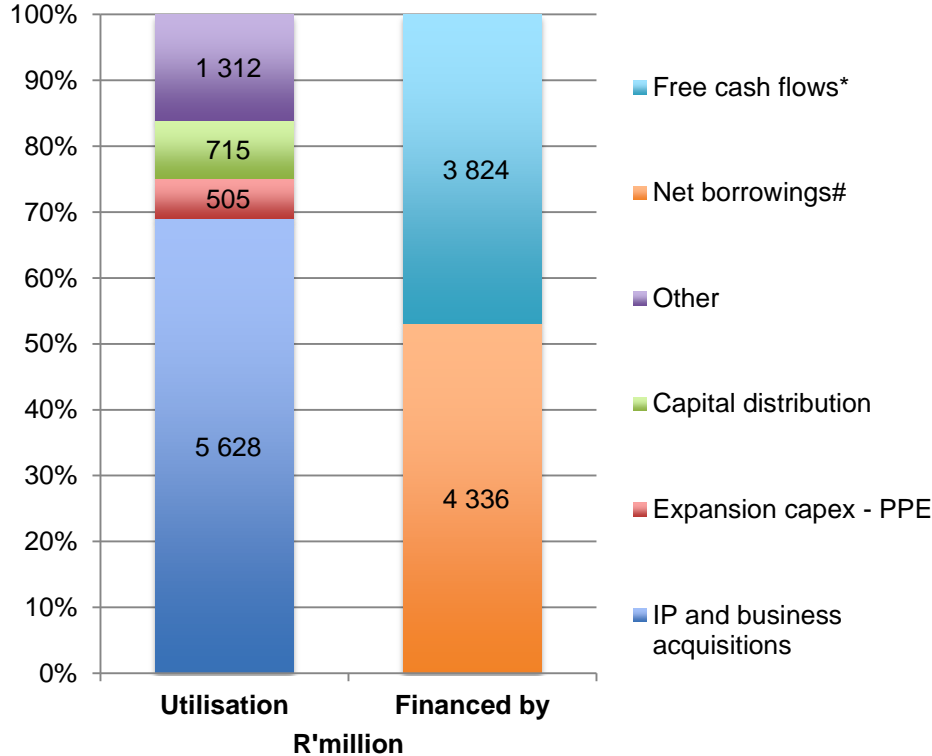


# Borrowings and liquidity

### Operating net cash flows v net borrowings



### Utilisation of free cash flows and net borrowings in FY 2013

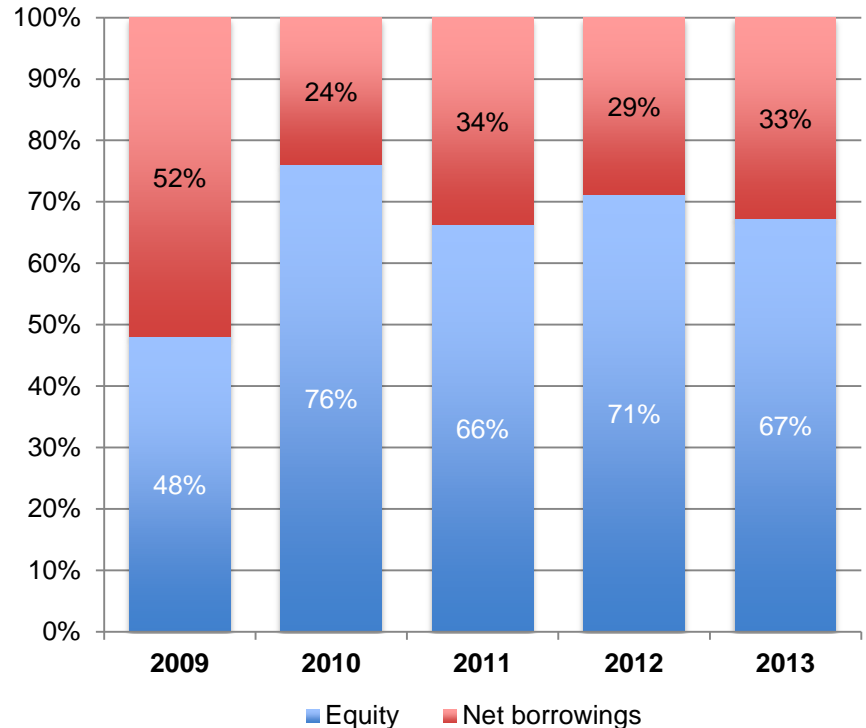


\* Free cash flows = Net cash flow from operating activities less replacement capital expenditure on PPE  
 # Net borrowings = Advances less repayments of interest bearing borrowings

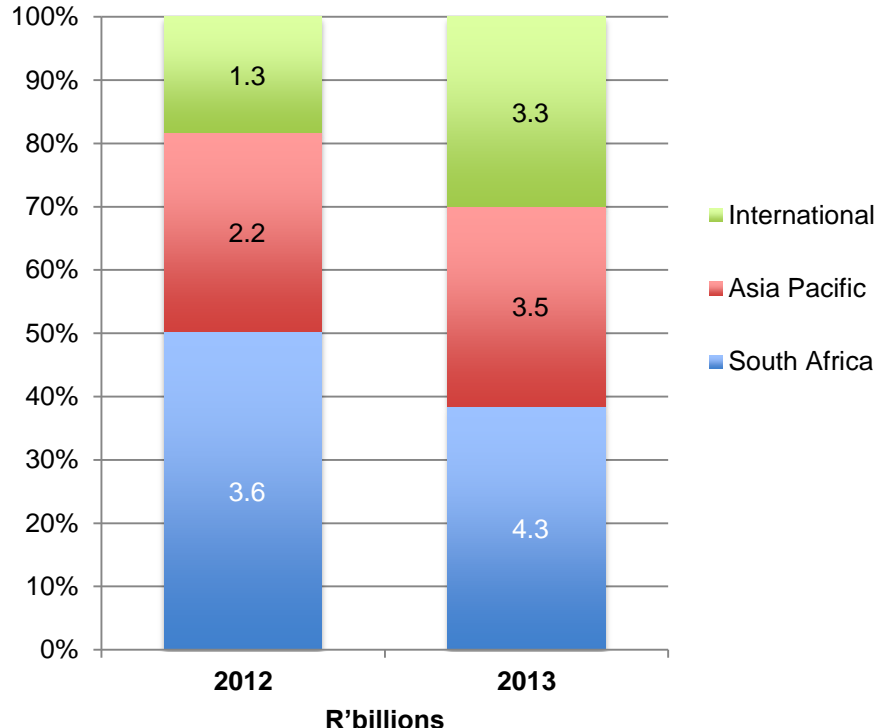


# Borrowings and liquidity

### Capital composition



### Net borrowings balances as at 30 June 2013







# Merck Transactions

## API business

- Effective 1 October 2013
- Acquisition of Dutch Newco (“Aspen Oss”) for €36 million
- Inventory approximately €300 million
  - Approximately €200 million relates to continuing supply to Merck under a loan repayable after 10 years
- Ten year supply agreement to Merck – anchor tenant
- €284 million revenue in 2012
  - €86 million heparin



Site: OSS – De Geer (API portion only)



# Merck Transactions

## Option for product portfolio

- Expected effective date 1 January 2014
- Branded portfolio comprising 11 molecules
- USD248 million of revenue in 2012
- High correlation with target growth territories of Latam, Asia, CE Europe, the CIS
- Dilutory currency impact of strengthening USD
- Gross profit margin approximately 70%





# GSK Transaction

- Binding, irrevocable offer submitted to GSK on 18 June 2013
  - GSK will respond to the offer subject to consultation with employees and the relevant works councils
- Arixtra and Fraxiparine brands worldwide (excluding China, India & Pakistan)
  - Injectable anti-coagulants
  - Target acquisition date: 31 December 2013
- Related specialist sterile production site in France
  - Target acquisition date: 30 April 2014
- Purchase consideration offered = £600 million plus inventory of approximately £100 million
- Aspen projections
  - Initial sales of approximately USD500 million
  - Initial gross profit margin approaching 50%





## Infant Nutritionals Latin America

- Former Wyeth brands (S26 and SMA), acquired by Pfizer and subsequently Nestlé
- Nestlé prevented from taking ownership in certain territories under competition regulations
- Licence rights
  - 10 years
  - Allows brand transition
  - Further 10 year lock-out for Nestlé
- Factory in Mexico
- Results for calendar 2012 (pre Bolivar devaluation)
  - Revenue = USD187 million
  - Proforma operating profit = USD17 million
- Most material territories are Mexico, Venezuela and Colombia
- Transactions completion expected by November 2013



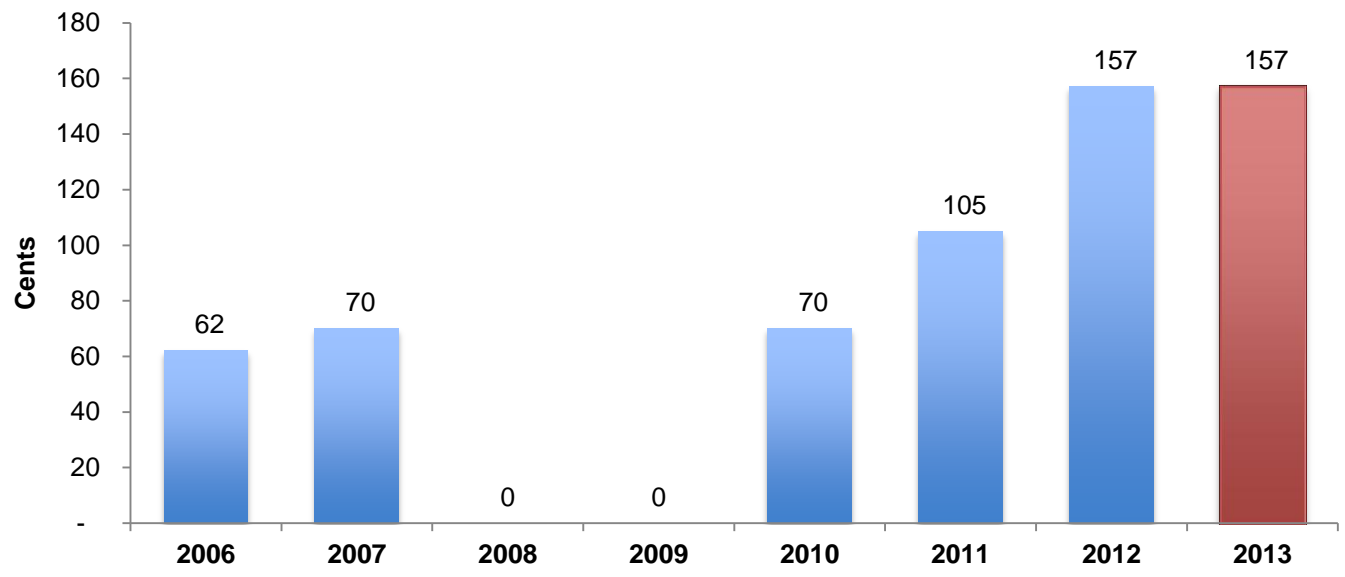
# Funding



- Impending transactions to be funded with bank debt
- Taking opportunity to restructure substantial portion of existing debt
- Process well progressed
  - Phase 1 – syndication with relationship banks – completed
  - Phase 2 – syndication with international banks – in progress
- Total debt following completion of impending acquisitions approximately USD3.4 billion
- Medium term internal debt management thresholds
  - EBITDA/Net interest paid > 5 times
  - Net debt/EBITDA < 3 times
- Group covenants in terms of funding documentation
  - Net debt/EBITDA < 3.5 times (FY 2014); 3.25 times (FY 2015); 3.0 times (after FY 2015)



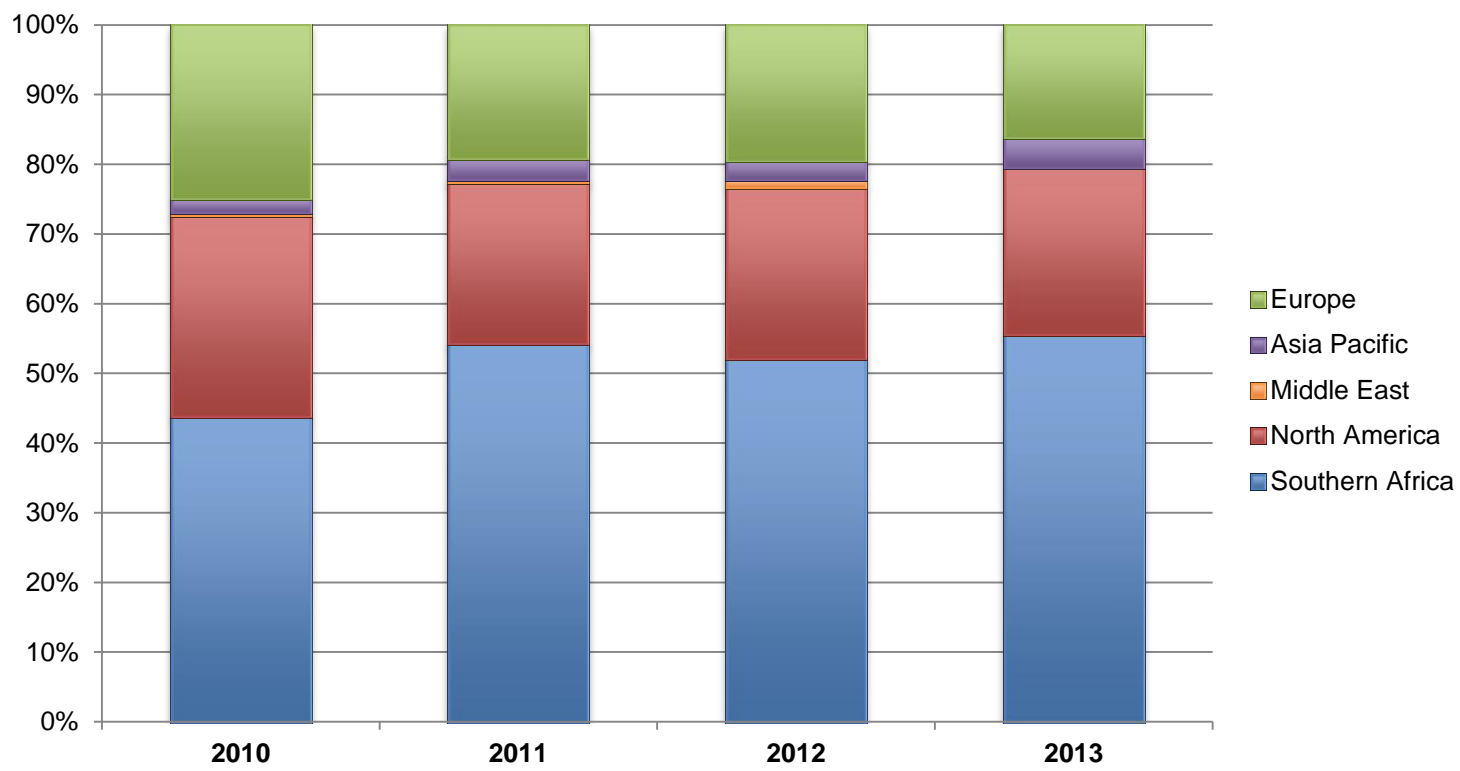
# Distribution to shareholders



- Impending acceleration of gearing
- On going strong cash flows
- Maintenance of distribution
- Dividend of 131 cents – STC credits passed on
- Return of share premium of 26 cents



# Distribution of institutional shareholders



- Southern African institutional shareholders have increased from 44% in 2010 to 55% in 2013



# Introduction

- This is Aspen's 30<sup>th</sup> set of results
  - Record of unbroken growth remains intact
- In period from 0 to >R100bn many defining commercial achievements
  - Acquisitions of
    - South African Druggists
    - Sigma
    - Global brands
  - Establishment of global
    - Manufacturing platform in South Africa
    - Sales structure
    - Supply chain and regulatory infrastructure

**In spite all of the above, the transactions concluded/to be concluded in 2013 will be the most transformational to date**





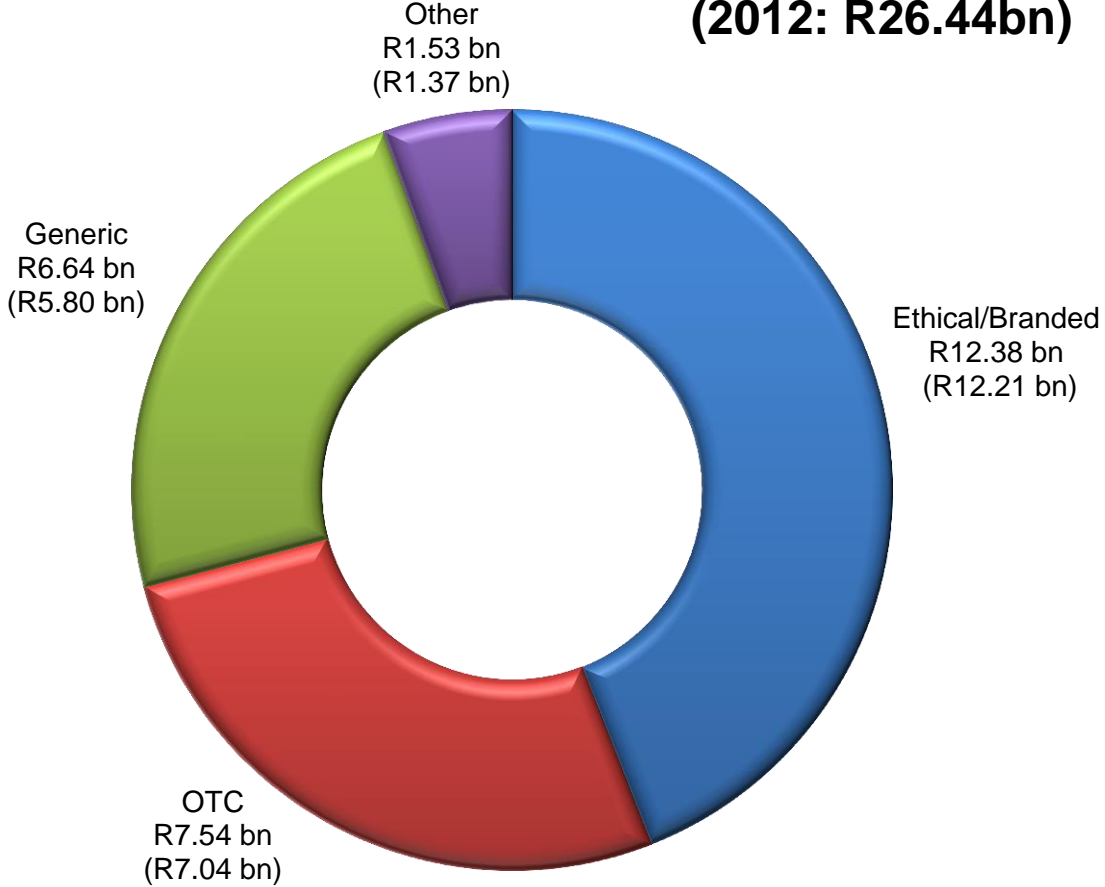
# Group revenue for year ended June

Revenue			
R'million	FY 2013	FY 2012	% change
South Africa	7 377	6 160	20%
Asia Pacific	7 590	6 021	26%
Sub Saharan Africa	2 082	1 652	26%
International	3 726	2 523	48%
<b>Gross Sales</b>	<b>20 775</b>	<b>16 356</b>	<b>27%</b>
Less: IFRS Adjustments	(1 467)	(1 100)	33%
<b>Total</b>	<b>19 308</b>	<b>15 256</b>	<b>27%</b>



# Private Pharmaceutical Market

**Total Private market value as at June 2013 R28.10bn  
(2012: R26.44bn)**



**Market growth rates:**

- **Total market**            **6.3%**
- **Ethical/Branded**    **1.4%**
- **Generic**                    **14.5%**
- **OTC**                         **7.0%**

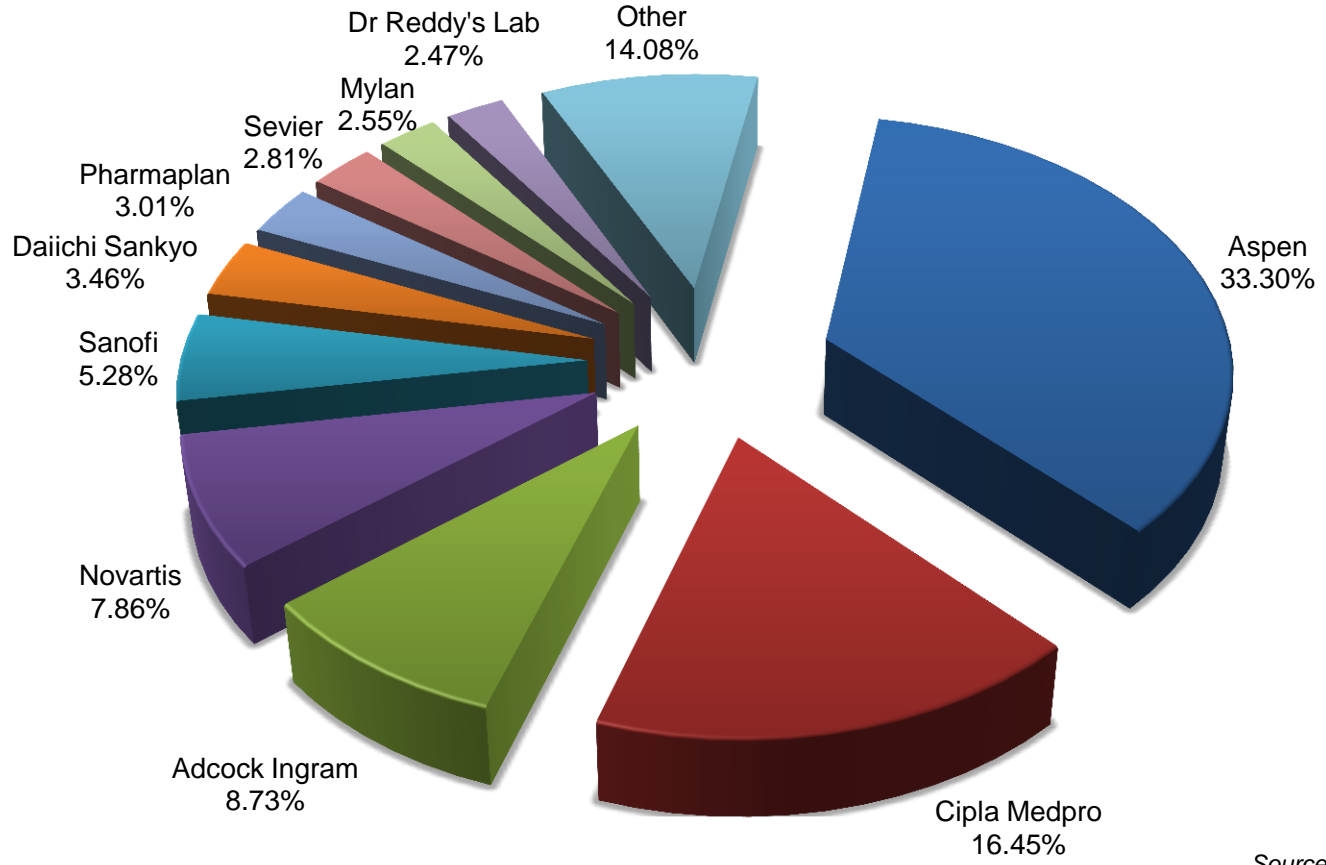
Source: IMS DATA JUNE 2013

**Aspen market share 16.2%**



# Private Market Generics – MAT Value Share

**Generics market value as at June 2013 R6.64bn (2012: R5.80bn)**



Source: IMS DATA JUNE 2013

**Generic Market Growth 14.5%**  
**1 in 3 generics are Aspen's**



# South African Market

## Private Pharmaceutical Market

- Value of Pharma market dominated by branded/patented products
  - Growth muted
- Volumes and growth in generic sector
- 5.8% SEP increase implemented in March
  - Price increase not sufficient to cover
    - Exchange rate
    - CPI

## OTC Market

- SEP increase
- Own brands growing
- Increase due to previously uncaptured data
- Volume pressure on branded OTC products

Nearly 1 in 4 of all scripts dispensed are for an Aspen product



# South African Market

## Public Sector

- ARV tender award at R40 million per month
  - Aspen won the largest share of 3-in-1 ARV tender (34%)
    - Capacity and reliability
  - Supplying +/- R100 million per month
    - Mainly singles
  - Off takes to increase from November
  - Government expanding to 2.5 million 3-in-1 packs
  - Aspen to supply 1.4 million of these packs (56%)



## Legislative Environment

- Largely unchanged
  - No major shifts expected over the next 12 months
- SEP increase applying formula expected at 10% but Minister has discretion



# Aspen South Africa

Revenue				
R'million	FY 2013	FY 2012	% change	
Pharma	6 202	5 162	20%	
Adjusted Pharma base	5 038	4 462	13%	
Tender ARV's and Intercompany	1 164	700	66%	
Consumer	1 175	998	18%	
<b>Total</b>	<b>7 377</b>	<b>6 160</b>	<b>20%</b>	

MAT Growth in Value as at June 2013			
	Market %	Aspen %	Position
Total private market	6.3%	10.4%	1
Ethical/Branded	1.4%	7.4%	2
Generics	14.5%	17.4%	1
OTC	7.0%	3.0%	2

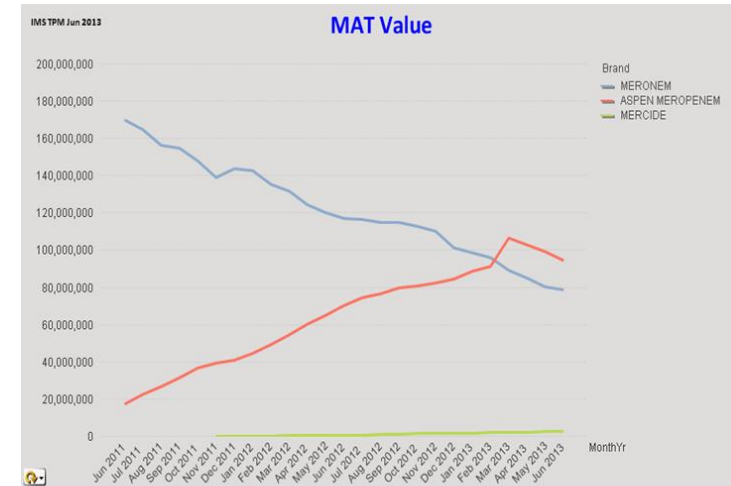
Source: IMS DATA JUNE 2013

- Strong performance driven by growth in both branded and generic sectors



# Pharma Division Performance

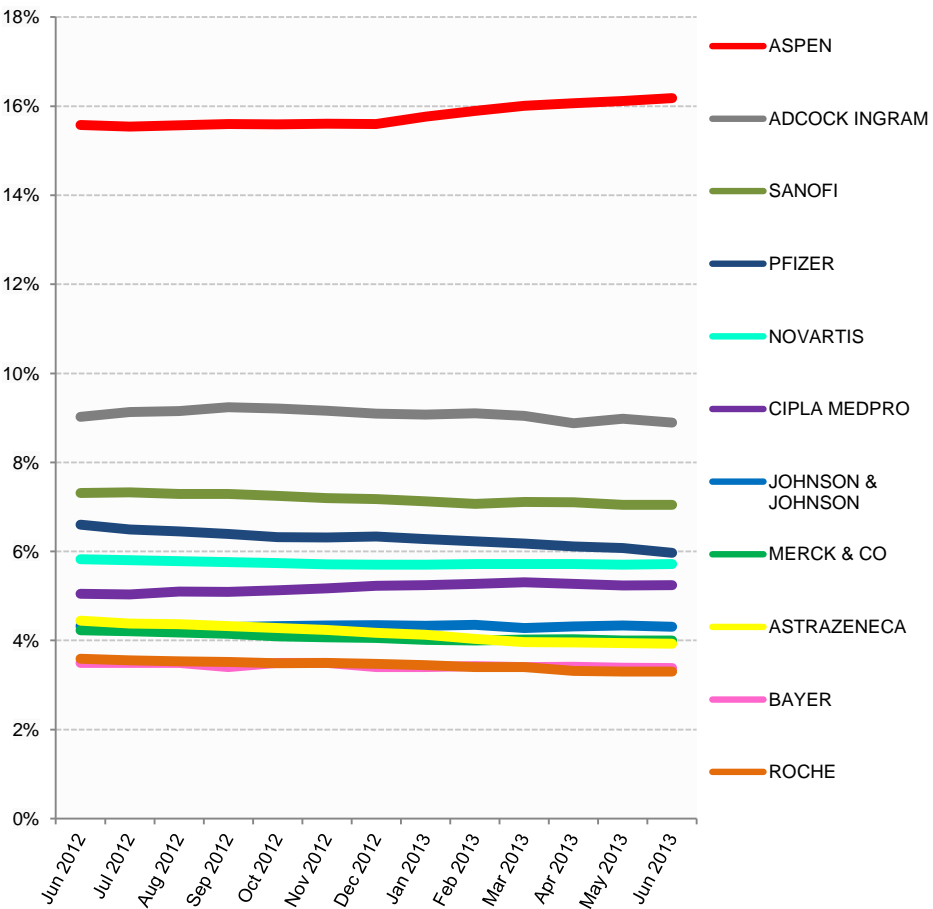
- 5 of the Top 7 Generics are Aspen products
- Of Aspen's Top 20 products in IMS:
  - 17 growing faster than market
  - Only 1 declining
- Aspen has grown market share in both
  - Generic and branded products
- Generic market shares may be at all time high
- The branded division now in 2<sup>nd</sup> position
  - Started year in 4<sup>th</sup> position and poised to get to number 1
  - Incredible achievement post loss of Seretide/Truvada
- Achievements underscored by Campbell Belman Survey
  - Funders – Managed Care 1 (1)
  - Providers – Managed Care 1 (1)
  - GPs - 2 (11)



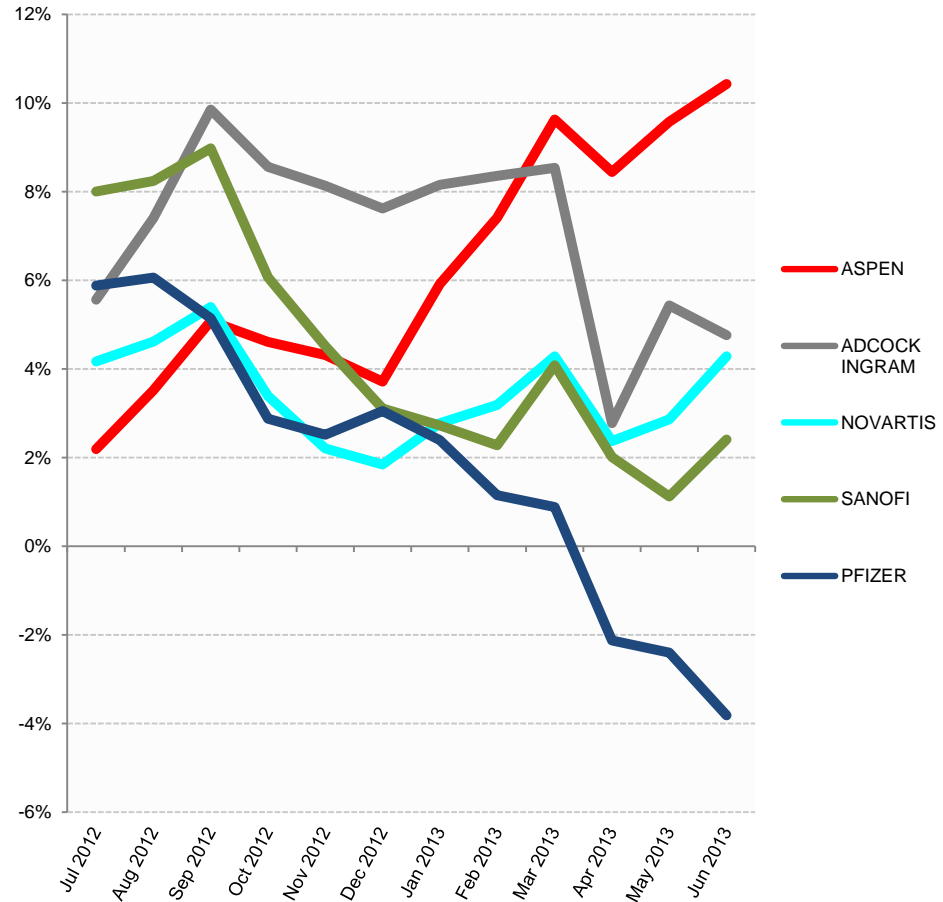


# Aspen Total MAT value trends

## MAT Value Share Trend



## MAT Value Growth Trend - Top 5



Source: IMS TPM DATA JUNE 2013



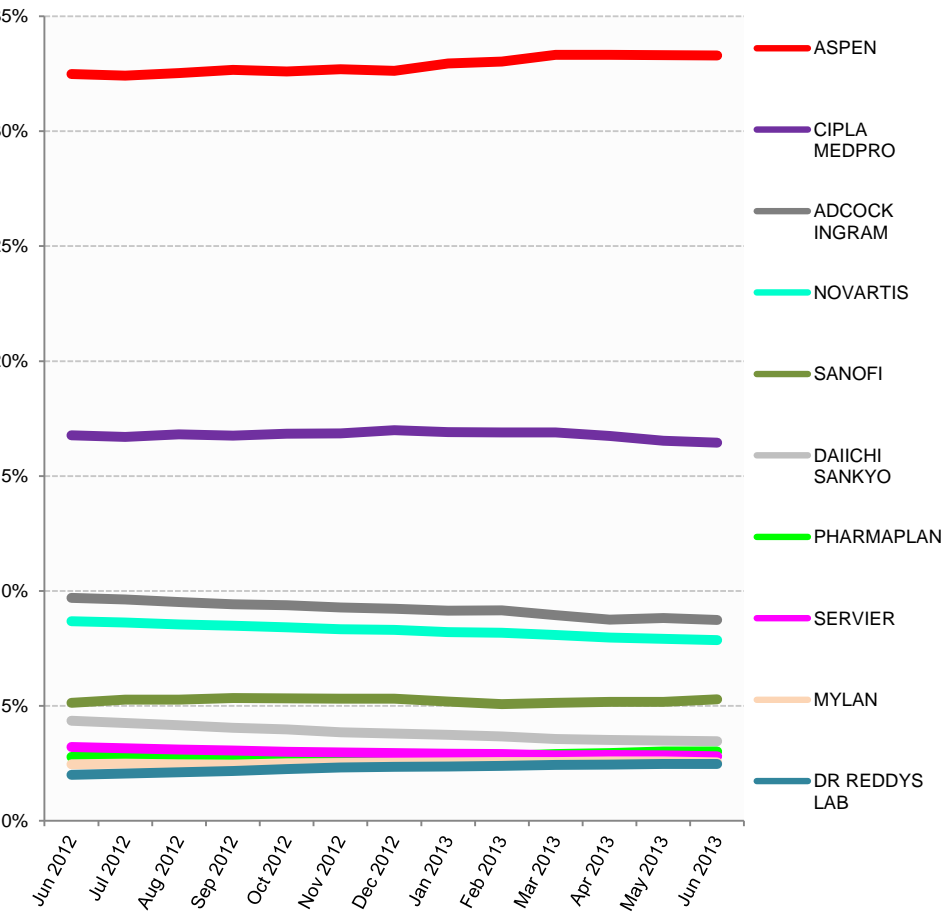
Outperforming peer group



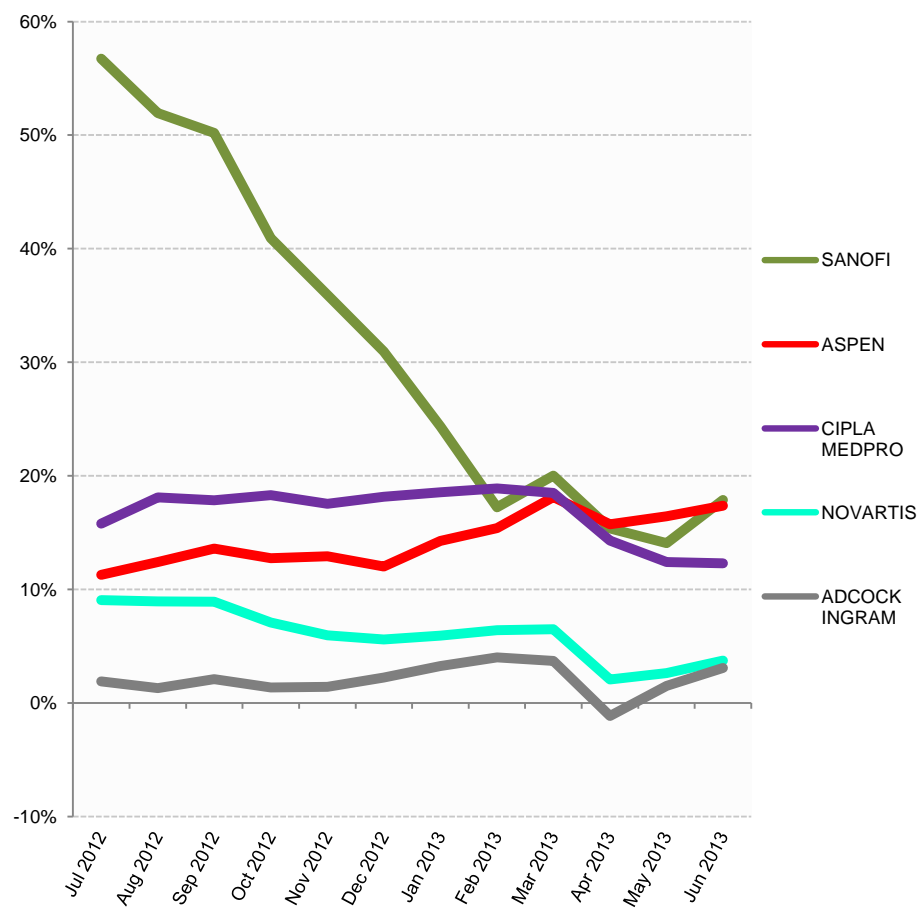


# Aspen Generics MAT value trends

## MAT Value Share Trend



## MAT Value Growth Trend – Top 5



Source: IMS TPM DATA JUNE 2013



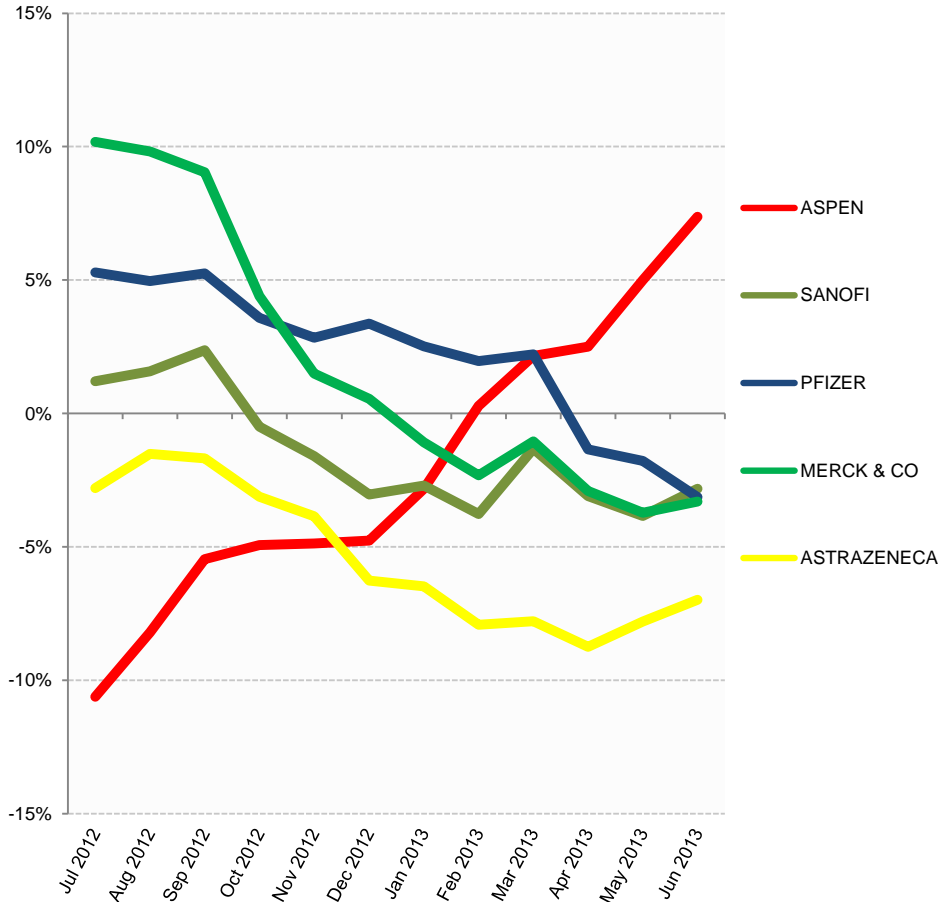
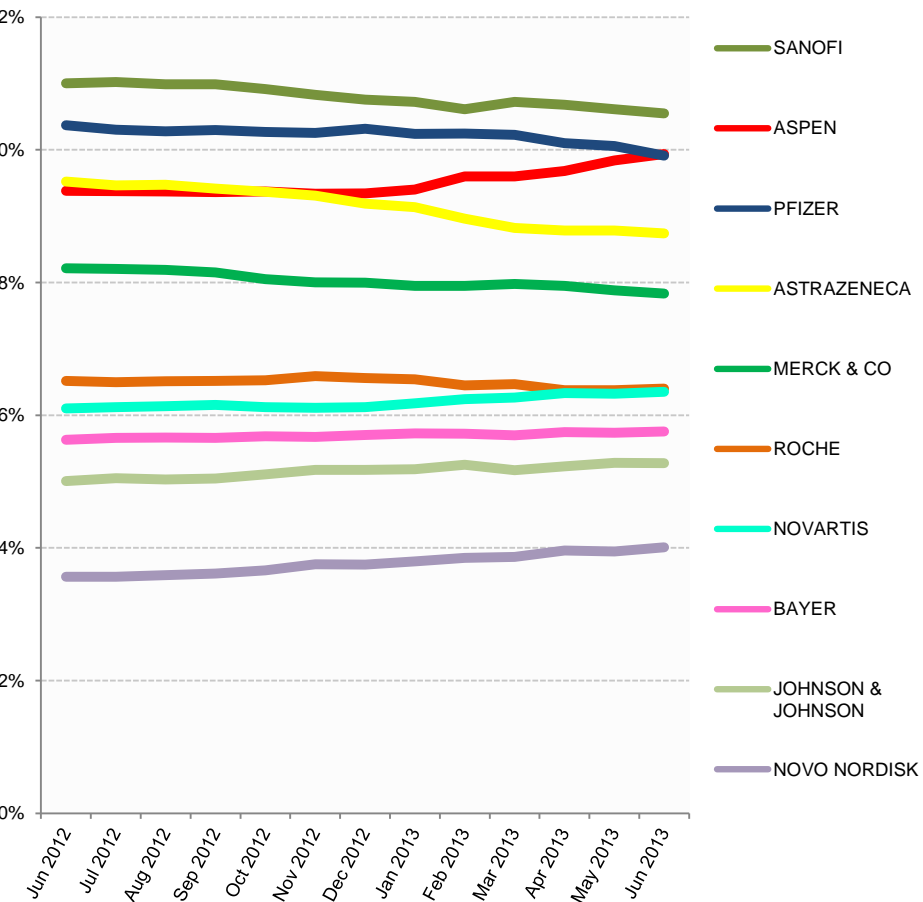
**Largest base – but still growing faster**



# Aspen Branded MAT value trends

## MAT Value Share Trend

## MAT Value Growth Trend – Top 5



**Going for number 1**  
**Demonstration of GP/Specialist trust in Aspen**

Source: IMS TPM DATA  
 JUNE 2013





# Consumer Division Performance

Revenue			
R'million	FY 2013	FY 2012	% change
Consumer Division	1 175	998	18%

- Strong underlying growth in IMF
  - Good growth from base products
  - GSK OTC brands added to consumer/OTC performance
- Aspen offering dominated by IMFs
  - First in SA to launch ready-to-feed offering
  - Awaiting the Competition Commission on Nestlé deal
- Restructured management team
  - Seeing positives already
  - Driving focus
  - Division to have increasing importance in Aspen





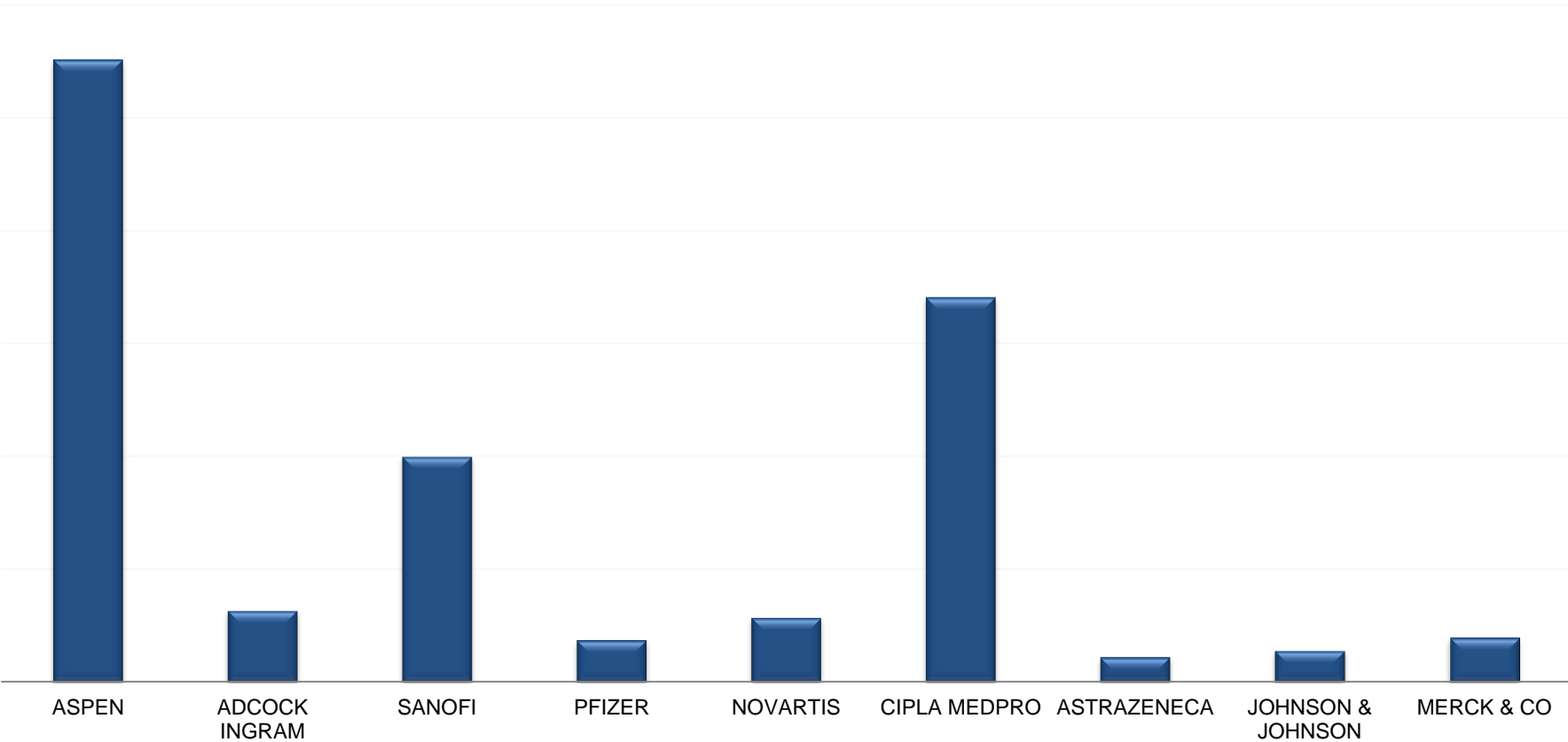
# Prospects

- Aspen is South Africa's leading pharmaceutical company
- Margin pressure
  - SEP does not cover input costs ↓
  - Continuing volumes increases ↑
  - Productivity improvements ↑
- Aspen is a truly trusted producer of quality, affordable medicine
- Trust has been earned
  - Investment in our people, facilities and products
  - Global peers recognise this
  - Our provider base recognises this
  - Delivery and commitment to our South African environment
- The results are here for all to see
  - Ready conversion to trusted generics
  - Growing market shares in pharma
    - Branded and Generic sectors
  - Tender share increased
    - Go-to company
  - Consumer back on growth path



# Prospects - New Launch Income

## Value Generated during Jun 2013 MAT Period (New Launches < 24 months)



Source: IMS DATA JUNE 2013

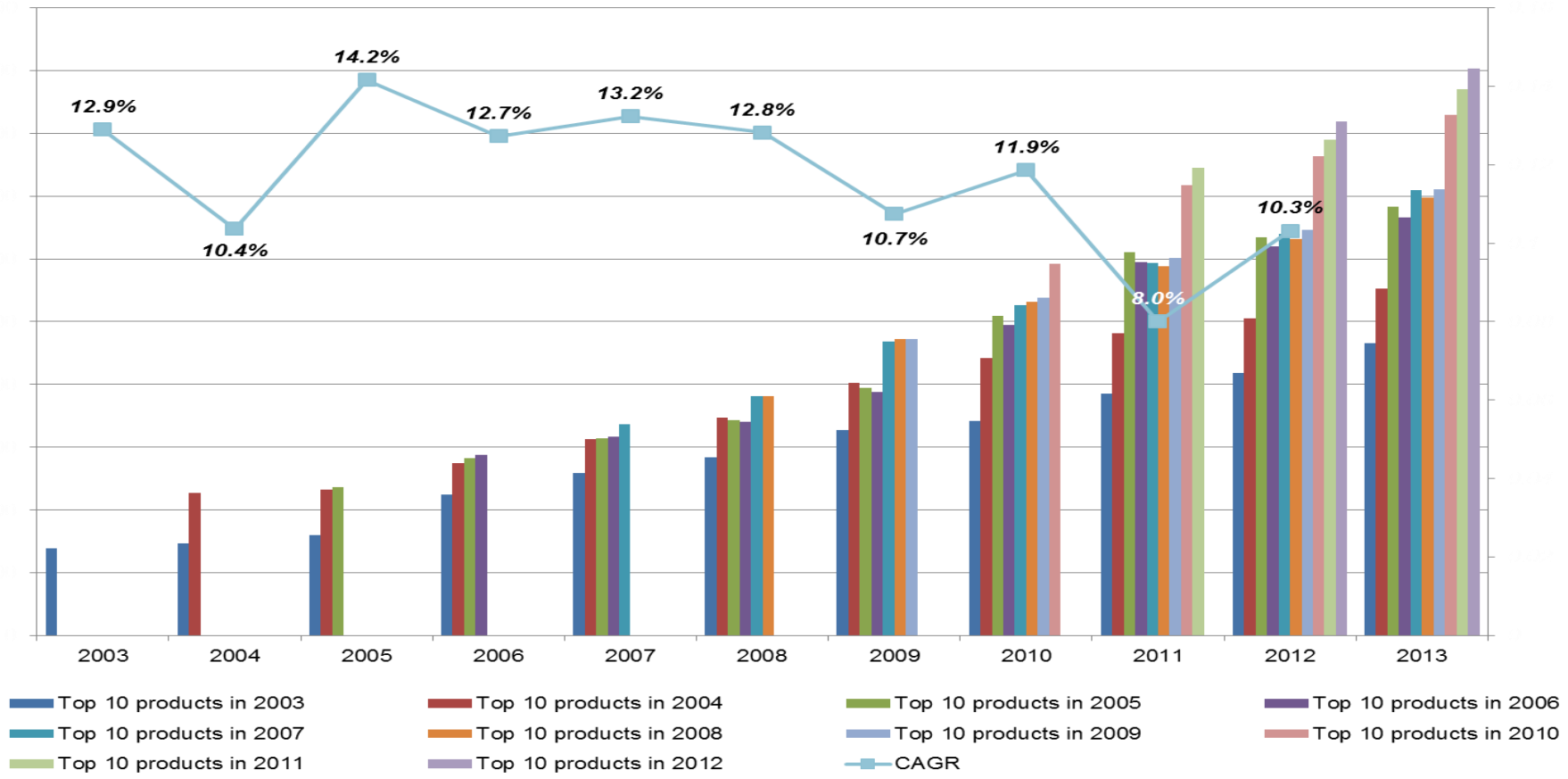


**South Africa's best pipeline**



# Organic growth – Performance of Top 10 products

### Performance of Top 10 products from 2003 to 2013 (excluding ARVs, Seretide/Foxair and State)

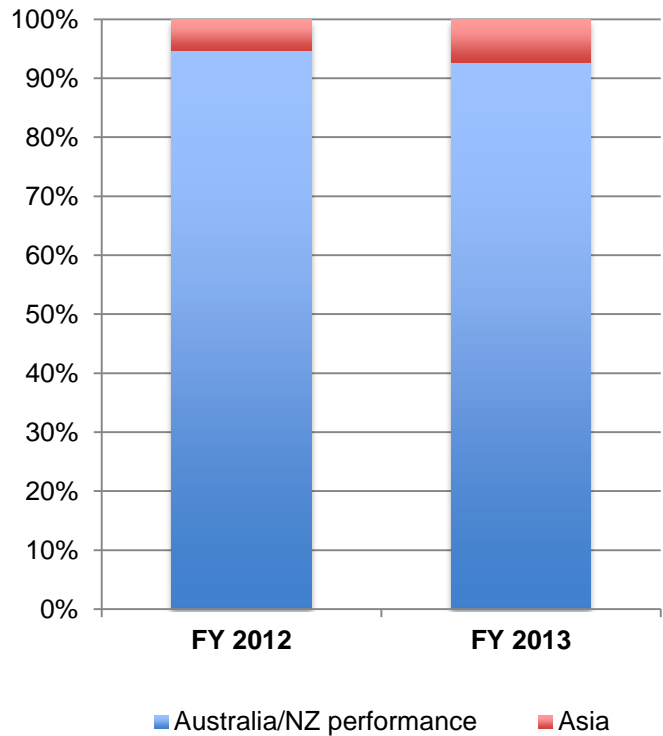


**Sustained organic compound annual growth rate from base products**

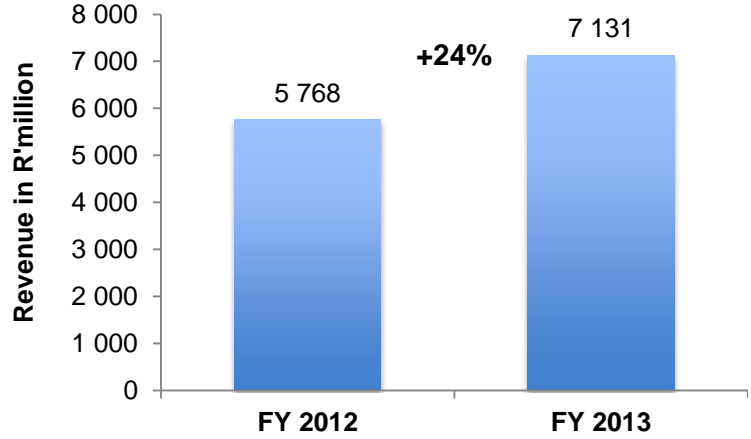


# Aspen Asia Pacific - Geographic Revenue

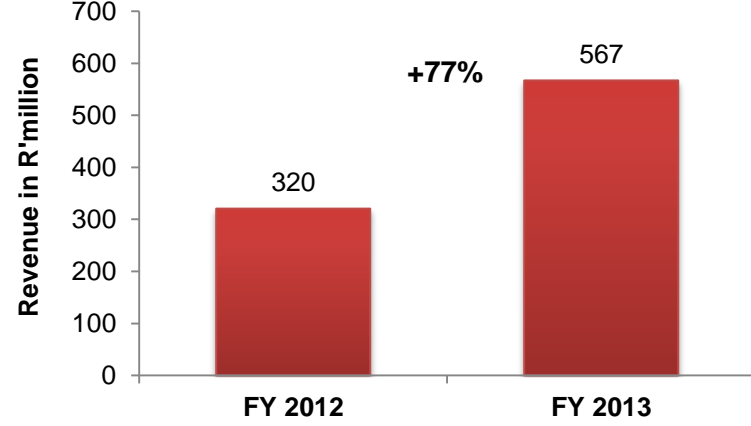
### Asia Pacific revenue split (by customer geography)



### Australia/NZ performance (by customer geography)



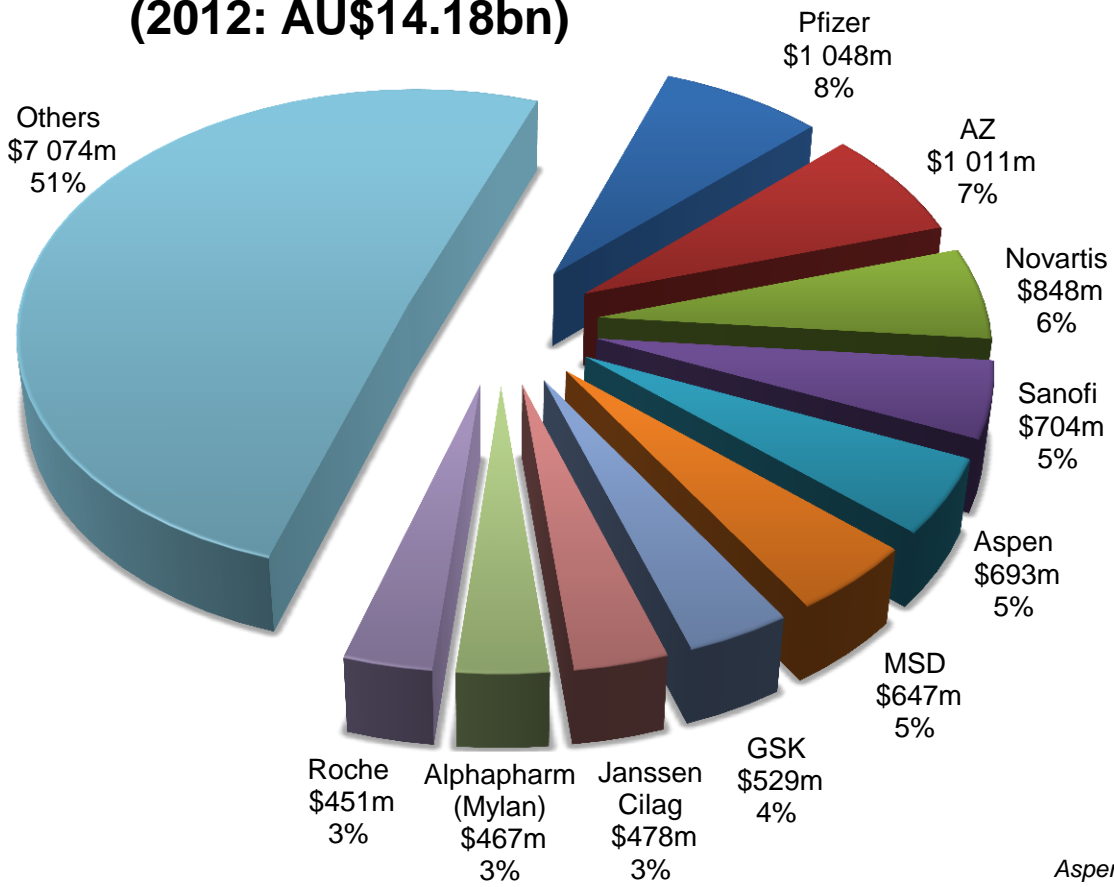
### Asia performance (by customer geography)





# Australian Market – MAT as at June 2013

**Market valued at AU\$13.95bn  
(2012: AU\$14.18bn)**



- Decline from AU\$14.2bn in July 2012
  - Volumes flat
- Price cuts have been steeper than anticipated
  - Initial value erosion higher than budgeted
  - Iterative price reduction will have impact
    - New base price is being discounted

Source: IMS COMBINED AUDIT, MAT JUNE 2013. Aspen figures do NOT include brands distributed on behalf of other parties.

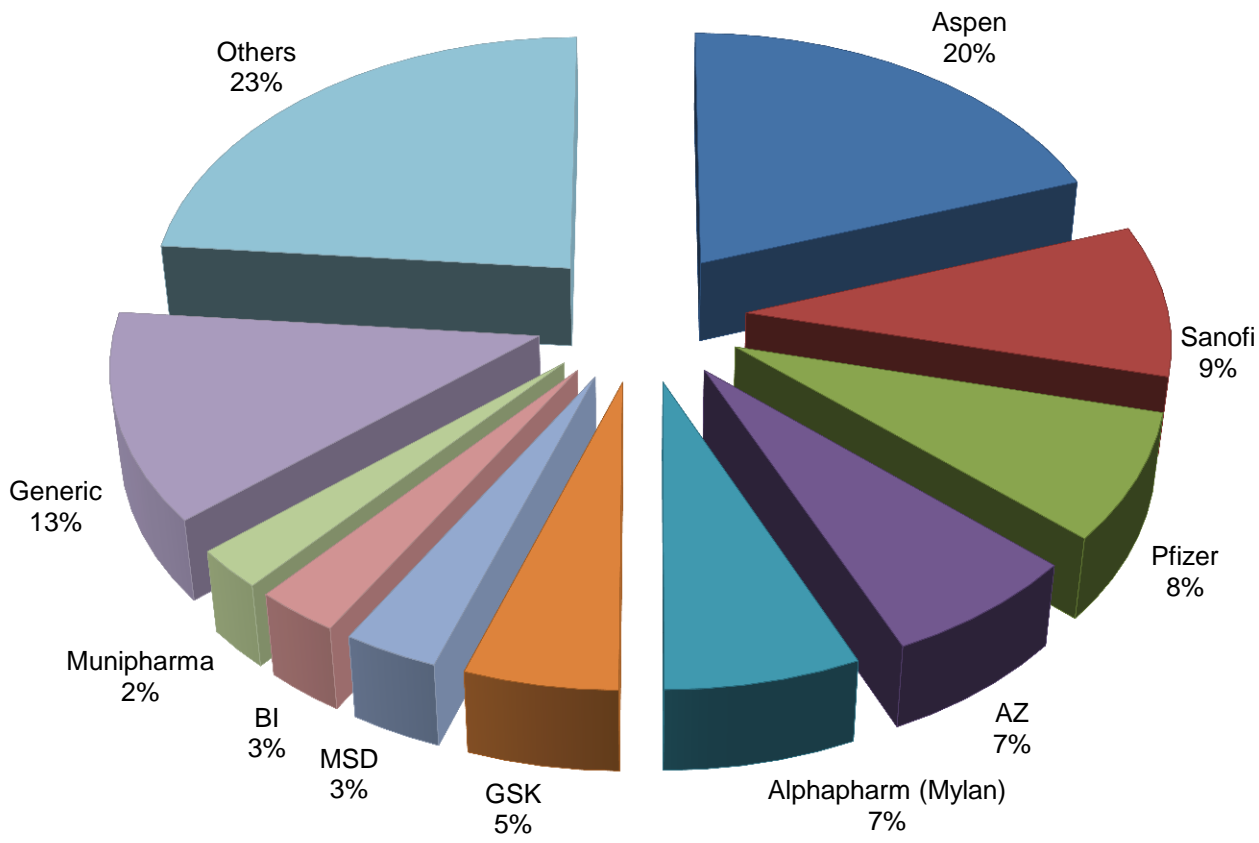


**Market value growth -1.6%**





# Australia - Leading Manufacturers by Scripts Written



**Aspen:**  
 - Owned 16%  
 - Distributed 4%

- Aspen sells over 700 products and 100 million packs annually

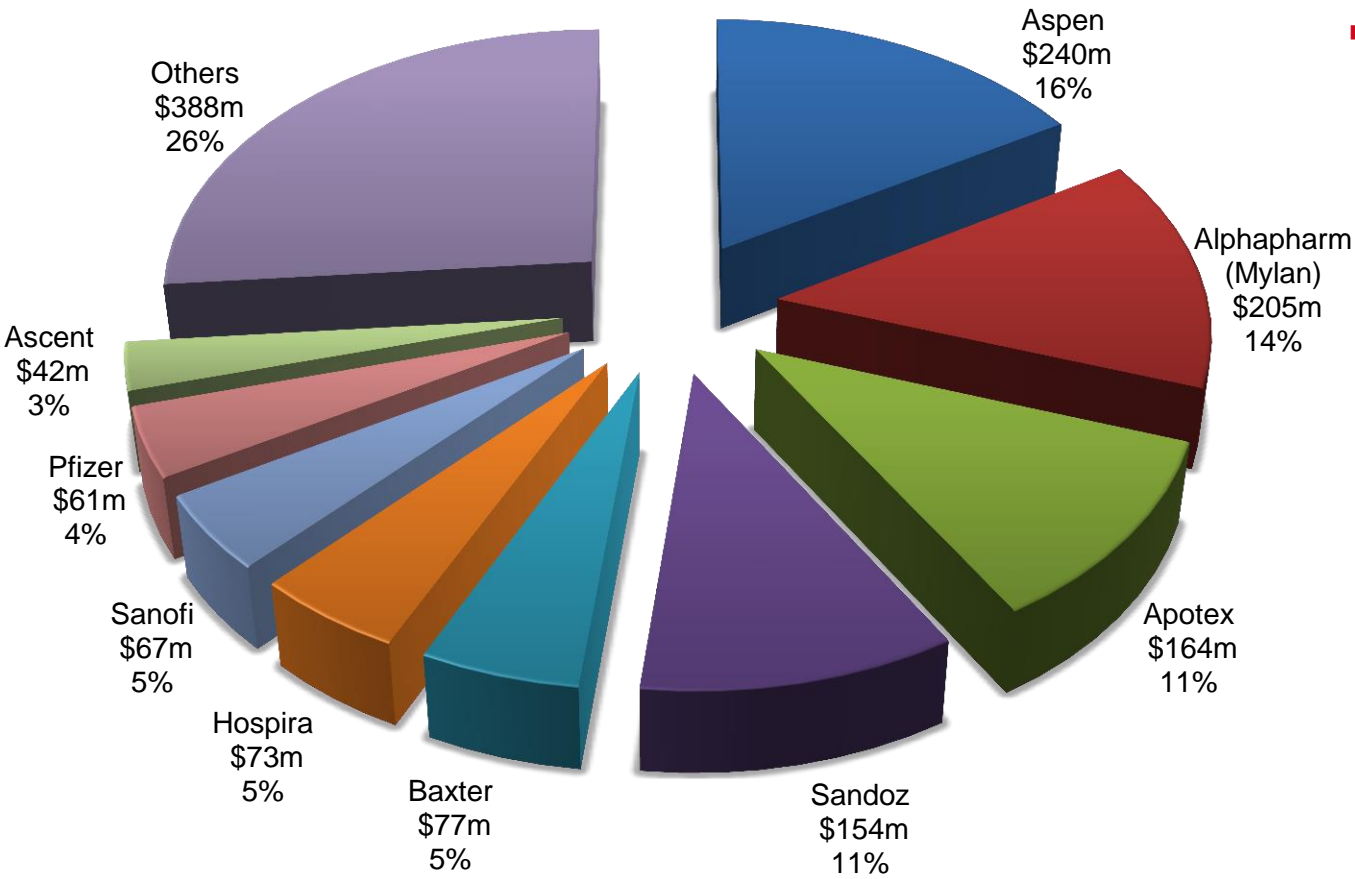
Source: IMS AMI MAT JUNE 2013  
 Aspen figures include all brands promoted by Aspen.

**1-in-5 scripts generated is for an Aspen distributed product**





# Australia's Largest Generic Company by Value – 16%



- Major patent expirations, e.g. Atorvastatin negated
- Excessive discontinuing
- PBS cuts

Source: IMS DDD + AHI MAT JUNE 2013

Figures are net sales. IMS figures have been adjusted to include products promoted by Aspen

**Total value: AU\$1.47 bn, +0.1%**

**Market flat**





# Australia - Performance

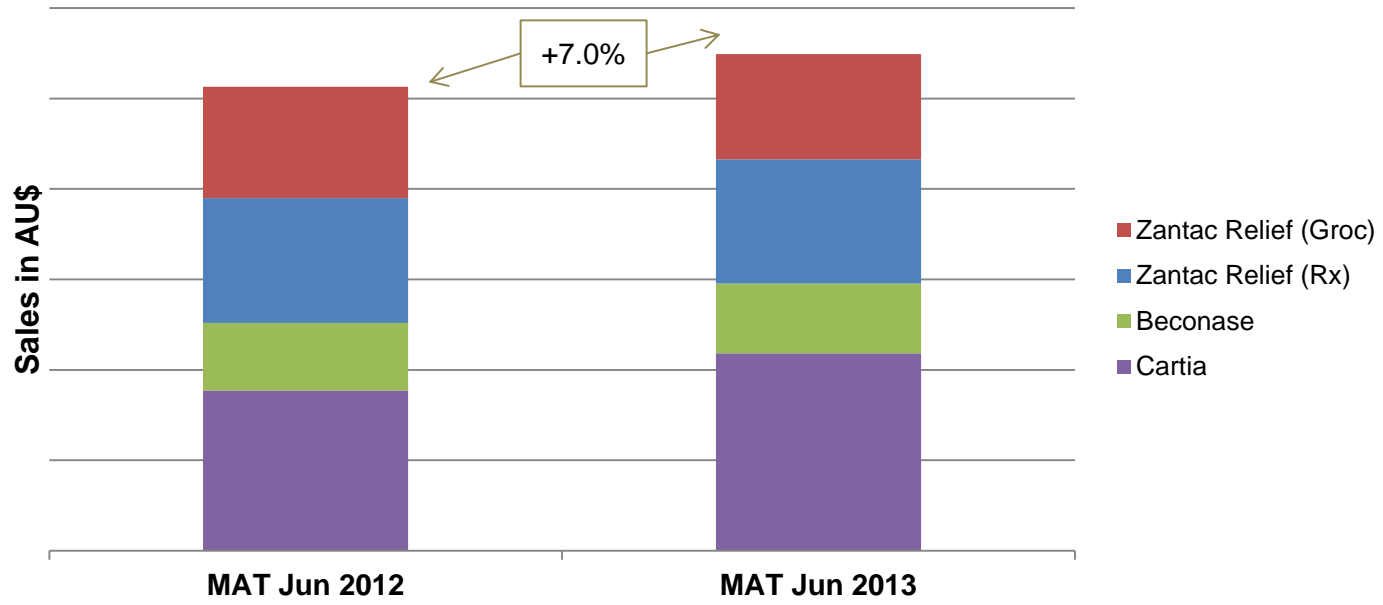
Revenue analysis (by customer geography)			
R'million	FY 2013	FY 2012	% change
Australia base	6 435	5 768	12%
<i>Acquisitions:</i>	695	-	
GSK OTC brands	205	-	
GSK Classic brands	353	-	
Nutritionals	137	-	
<b>Total Australia</b>	<b>7 130</b>	<b>5 768</b>	<b>24%</b>

- Base business continues to perform
- Sales performance needs to be measured against
  - The PBS price cuts over this period
  - The rationalisation of brands that gave no return
  - Increased discounting within the market
  - Third party manufacture reduction
- Above measures reflected on improved operating returns



# Australia – Breathing new life into OTC brands

## MAT Value of acquired OTC brands



Source: IMS COMBINED AUDIT AND NIELSEN SCAN DATA

- OTC brands acquired in April 2012 grew +7.0%
- Aspen ranked 3rd in Consumer segment\*
- Aspen consumer growth +9.2% vs market growth +8.8%

\*June 2013 IMS MAT



## Australia – Operating performance

- Good margin performance in difficult market
  - Margins impacted by distribution of Group acquisitions
  - On-going synergies from improved procurement and COGS
  - Needed to off-set price reductions
- Acquisitions bolster performance, complement and diversify Aspen portfolio
  - Growth in well recognised OTC brands
  - Successful integration of Prescription brands
  - Additional representation to support acquisitions
  - Entry into infant milk business
    - S26 is a trusted household brand and market leader in Australia
    - Opportunity as launch pad into Asia



# Infant milk formula market in Australia

- Well developed/mature market
- Market expected to grow from US\$266 million in 2011 to US\$359 million by 2016\*
  - Expected CAGR of 6.2%\* between 2011-2016
- Top 3 players account for the majority of the market >85% in value
- Wide distribution through retail and pharmacy channels
- Aspen market share of domestic market is estimated at ~38%
  - Market leader in Australia
  - Current market shares distorted/impacted by recent trend of unofficial exports to China

*\* Euromonitor September 2012*



# Aspen Nutritional in Australia

- Diversifies product portfolio
- Widely recognised by professionals and consumers
  - S26 GOLD is leading recommended IMF brand in Australia
  - S26 is one of top 10 consumer brands on IMS
- Strong brand, comprehensive product offering and competitively priced
- Further growth prospects
  - Innovation – 4<sup>th</sup> stage, Comfort and Liquid launches





## Aspen Nutritionals – Opportunity into Asia

- Aspen currently assessing Asian markets for potential growth
  - Aspen cannot use S26 brand here
- Aspen has presence in Hong Kong, Japan, Taiwan, Philippines and Malaysia
  - Look to leverage this position
- Chinese market value of IMF estimated between US\$12-16 billion in 2012
  - Historic annual growth rates >20%
  - Set to grow and double by 2017
  - Aspen developing an entry strategy
  - Chinese partners have been identified
    - Assist with registration/importation of products
  - Distributors engaged for commercialisation in Hong Kong
  - Launch in China 2014

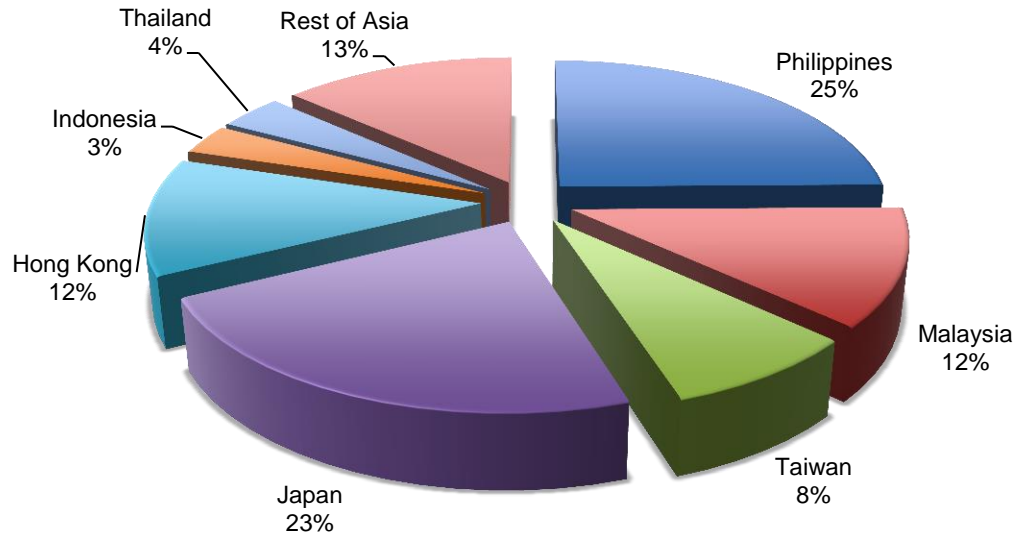




# Asia - Performance

Revenue			
R'million	FY 2013	FY 2012	% change
Asia base	446	321	39%
GSK OTC brands	121	-	
<b>Total</b>	<b>567</b>	<b>321</b>	<b>77%</b>

### Revenue of R567m



Aspen Asia with the limited resource applied to date is showing exceptional growth



# South East Asia

June 2012

- Philippines begins trading in April 2012 with 100 reps
- Malaysia entity incorporated

Dec 2012

- Philippines ranked 34<sup>th</sup> by IMS (Ethicals)
- Malaysia business licence obtained
- Taiwan entity incorporated in November 2012

June 2013

- Philippines ranked 32<sup>nd</sup> by IMS (Ethicals)
- Taiwan business licence obtained

2014

- Malaysia begins trading in July 2013 with 10 reps
- Taiwan to commence trading in January 2014



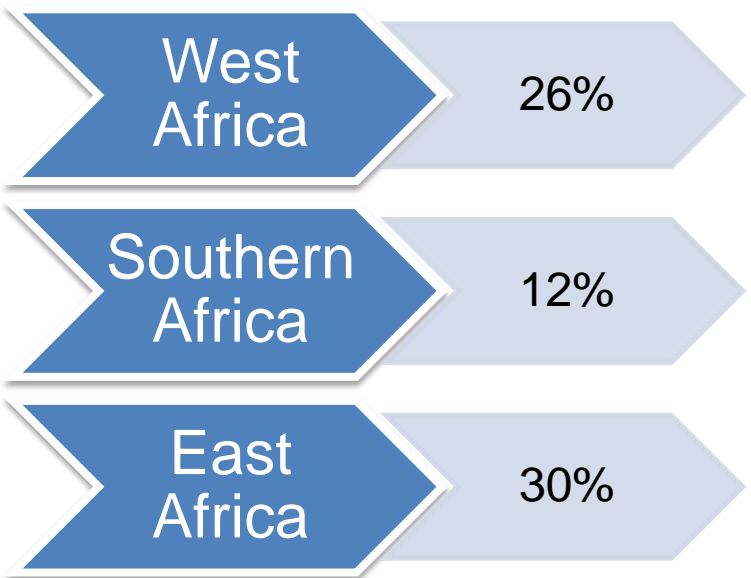


## Asia – Prospects

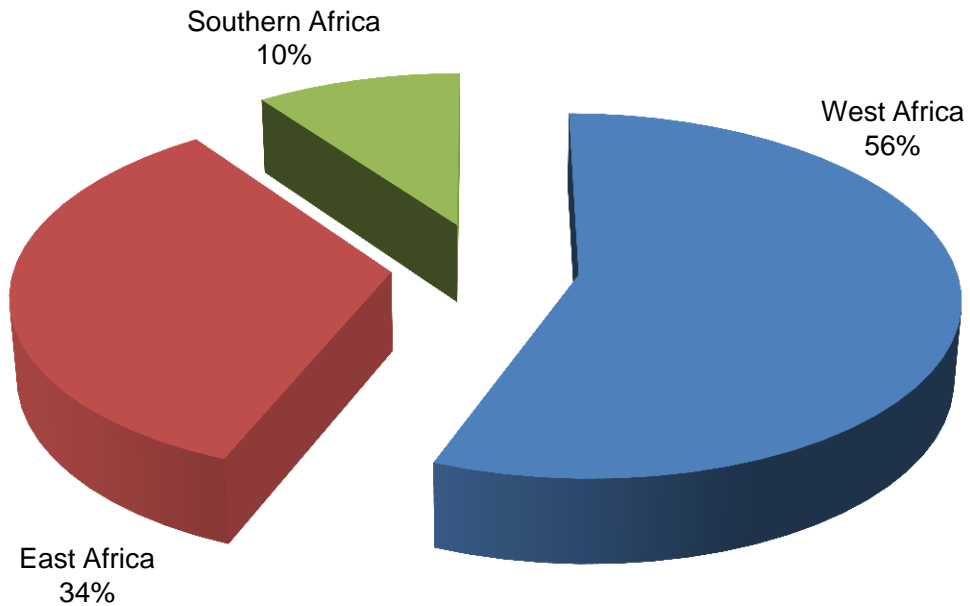
- Revenue more than doubled in first year of trading in Philippines
- Malaysia the same for 2014
- Philippines momentum to continue
  - Growing product portfolio with domestic and global brands
  - Product launches
  - Licensing opportunities being explored
  - Additional resources to support the above
  - Strong performance attracting partners
- Continues to be key strategic future growth and focus region within Aspen
  - Fits well with recent brand acquisitions
  - IMF opportunities in near future
- Japanese 2014 start up strategy now receiving most regional attention
  - Taiwan – January 2014



### Regional revenue growth rates



### Gross Sales R2 081m (2012: R1 652m)



**SSA sales growth = 26%**



# Performance and Prospects

- Strong organic growth in all regions
  - Despite political instability in key markets
  - Diverse country base derisks region
- Improved H2 performance
  - Realisation of benefits of additional sales representatives
  - EBITA growth +16% in H2 (H1: -10%)
- Strong organic growth expected to continue in 2013/14
  - Volume increase for quality medicines
- Collaboration
  - 165 products from Aspen pipeline registered to date in 15 countries
  - Launches on-going
- Shelys' private market focus is paying off in East Africa
  - Aspen Nigeria commenced trading in April 2013

# Shelys

An Aspen Group Company



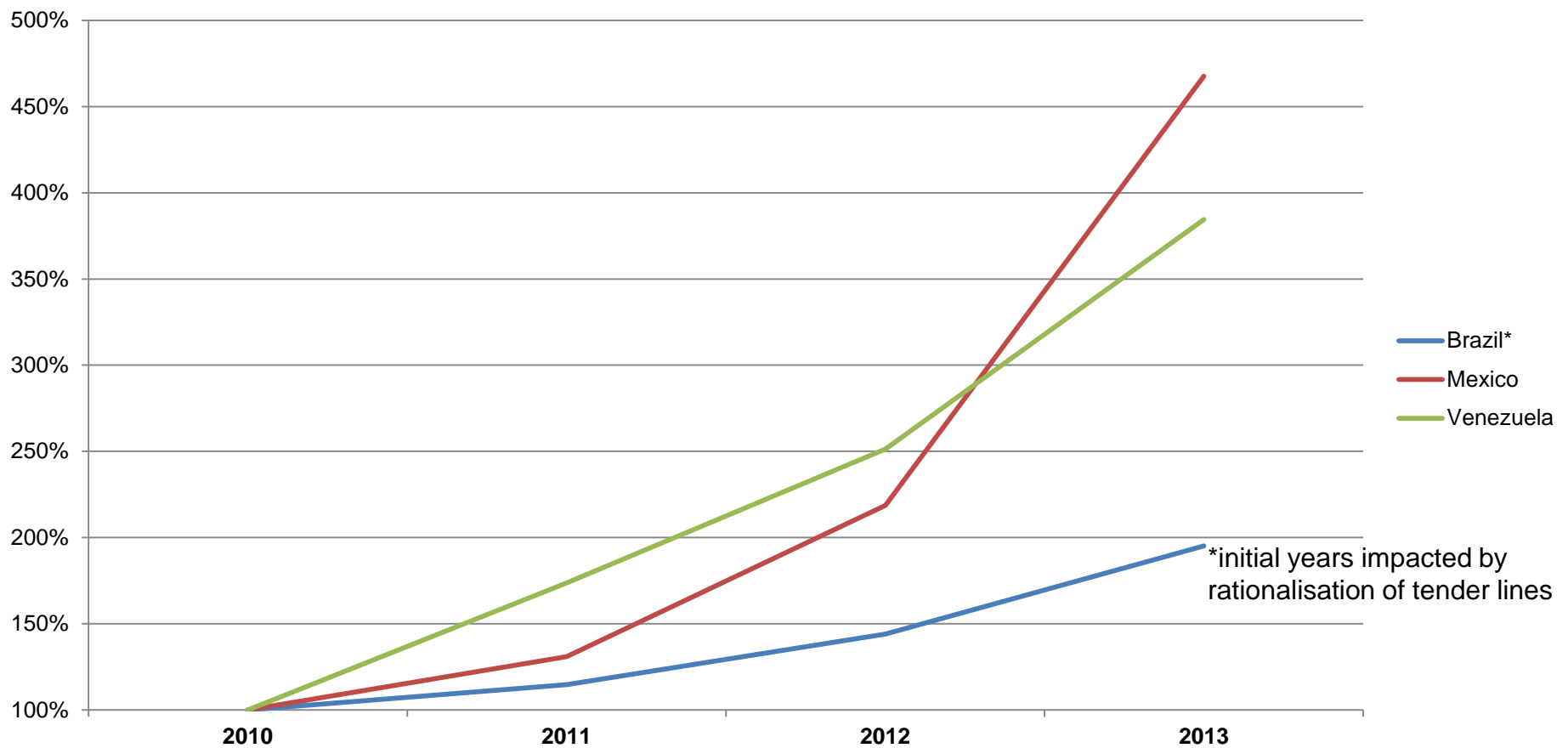
Revenue			
R'million	FY 2013	FY 2012	% change
Brazil	817	575	42%
Spanish Latam	750	448	67%
<b>Total</b>	<b>1 567</b>	<b>1 023</b>	<b>53%</b>

R'million	FY 2013	FY 2012	% change
<b>Brazil</b>			
Base	657	558	18%
Novartis Rx brands	53	-	
GSK OTC brands	107	17	524%
<b>Total Brazil</b>	<b>817</b>	<b>575</b>	<b>42%</b>
<b>Spanish Latam</b>			
Base	578	424	37%
Novartis Rx brands	31	-	
GSK OTC brands	141	24	480%
<b>Total Spanish Latam</b>	<b>750</b>	<b>448</b>	<b>68%</b>



# Aspen progress in Latin America

### Indexed sales in local currency



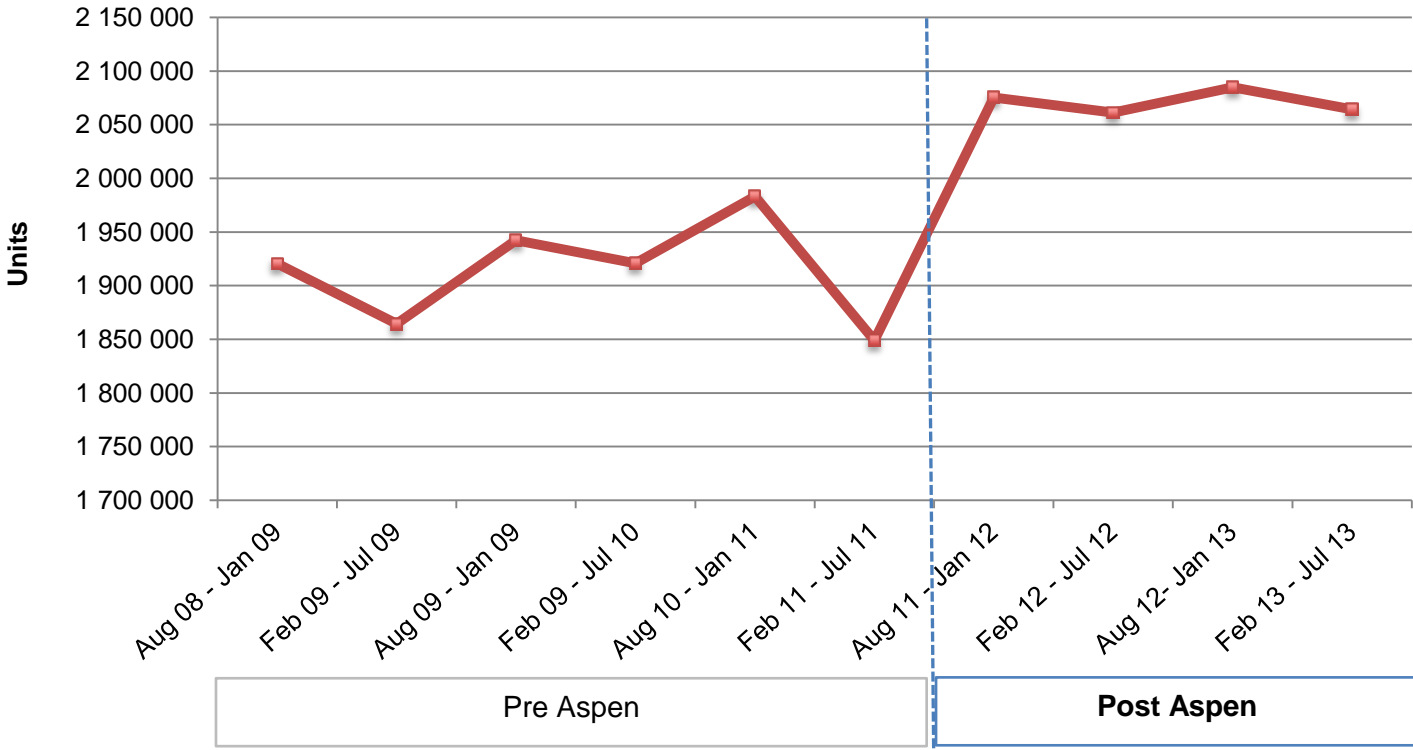
**Explosive growth**



# Aspen Brazil's performance of acquired OTC brand

## Aspen's commercial impact

Milk of Magnesia unit sales



**LEITE DE MAGNÉSIA DE PHILLIPS**

FAZ PARTE DA FAMÍLIA. HÁ VÁRIAS GERAÇÕES.

GENUÍNO  
Leite de Magnésia de Phillips  
hidróxido de magnésio 182,5mg  
Laxante / Anticôlico

USO ADULTO E PEDIÁTRICO  
ACIMA DE 2 ANOS  
Após uma refeição

Original  
Contém 120ml

SAC  
aspén

Leite de Magnésia de Phillips - hidróxido de magnésio  
INDICAÇÃO: como laxante para tratamento de prisão de ventre ocasional, como antiácido, para alívio de azia, náuseas e enjoo de vômito em viagens.

Produto registrado e produzido por GlaxoSmithKline Brasil Ltda, desenvolvido e comercializado por Aspen Pharma Indústria Farmacêutica Ltda.

SE PERSISTIREM OS SINTOMAS O MÉDICO DEVERÁ SER CONSULTADO.

**NÃO USE ESTE MEDICAMENTO EM CASO DE DOENÇA DOS RINS.**

Could have been higher – constrained by supply





# Aspen Nutritionals in Latin America

- Exciting one off opportunity to enter branded market
  - Forced divestment
  - Rank between number 2 and number 4 in all traded markets
- Good fit with pharma business
  - Strong detail element
  - Infrastructure to piggy back off
  - Shared commercial teams
- Enhances Aspen brand and footprint across region
  - Caricam, Andean territories to have Aspen representation

## Standard



## Premium



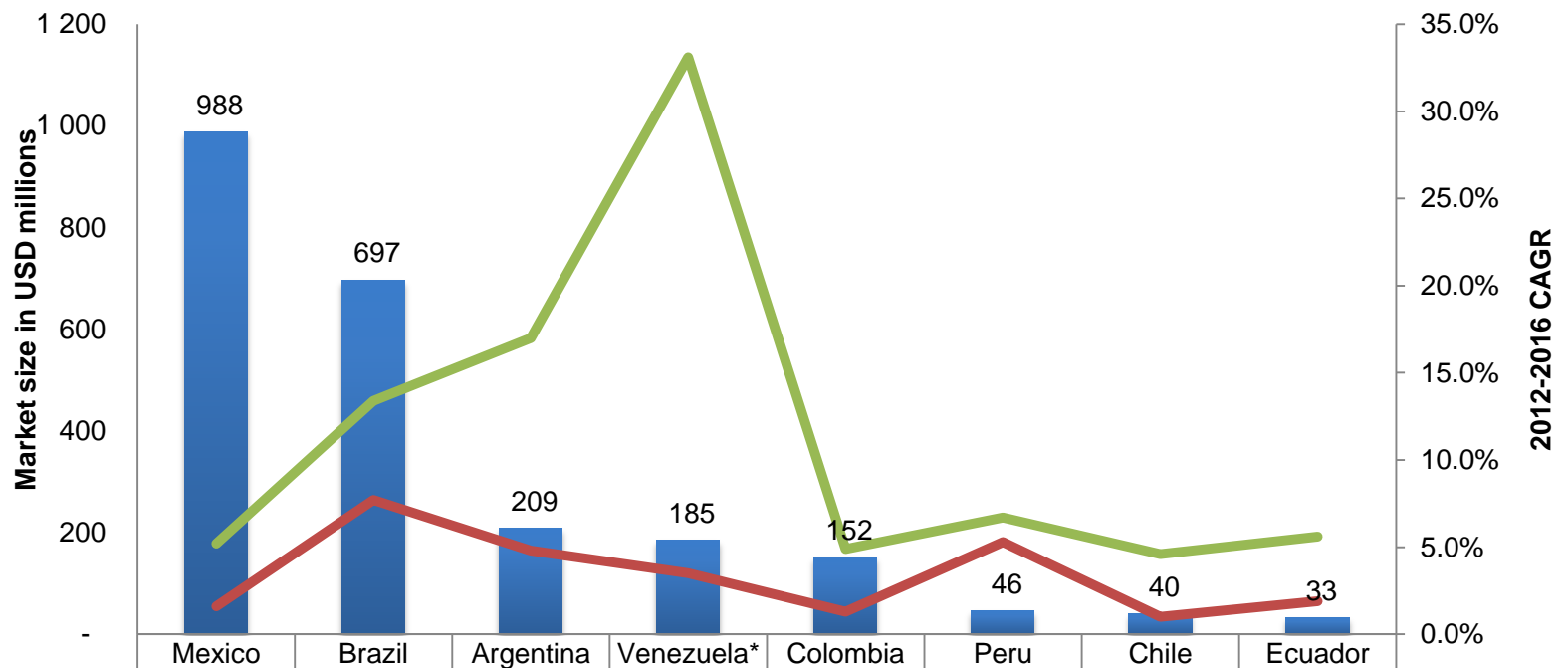
## Speciality





# Infant milk formula market in Latin America

- Have presence in largest IMF market in the region – Mexico
  - Also most other Latam markets



Market size - USD	988	697	209	185	152	46	40	33
Market CAGR - volumes	1.6%	7.7%	4.8%	3.5%	1.3%	5.3%	1.0%	1.9%
Market CAGR - value	5.2%	13.4%	17.0%	33.1%	4.9%	6.7%	4.6%	5.6%

Source: Euromonitor (November 2012)

\* Does not include impact of the currency devaluation in 2013

Opportunity to enter Brazil & Argentina



# Aspen Nutritionals presence in Latin America

Consolidated IMF revenue in 2012\*: USD187 million

**MEXICO**  
 Revenue: \$57m  
 Total Ranking: #3  
 Commercial employees: 114

**ECUADOR**  
 Revenue: \$15m  
 Total Ranking: #3  
 Commercial employees: 24

**PERU**  
 Revenue: \$8m  
 Total Ranking: #4  
 Commercial employees: 20

**CHILE**  
 Revenue: \$11m  
 Total Ranking: #2  
 Commercial employees: 18

**CARICAM**  
 Revenue: \$11m  
 Total Ranking: #4  
 Commercial employees: 30

**COLOMBIA**  
 Revenue: \$20m  
 Total Ranking: #3  
 Commercial employees: 66

**VENEZUELA**  
 Revenue: \$66m\*  
 Total Ranking: #2  
 Commercial employees: 67



Source: Management, Nielsen, IMS (based on MAT sales data in USD as of September 2012)  
 \* Does not include impact of devaluation of currency



# Infant milk formula manufacturing facility in Mexico



Regional nutritional manufacturing/packaging site in Vallejo

<i>Founded in:</i>	1951
<i>Location:</i>	Vallejo Industrial Park, Mexico City
<i>Building area:</i>	29 645 m <sup>2</sup> <ul style="list-style-type: none"> <li>▪ Production ~ 17 000 m<sup>2</sup></li> <li>▪ Labs ~ 1 100m<sup>2</sup></li> <li>▪ Warehouse ~ 8 000 m<sup>2</sup></li> </ul>
<i>Number of employees:</i>	247
<i>2 Primacy processing units</i>	Nutritional Pharma/Consumer products
<i>Capacity utilisation:</i>	57% in 2012
<i>Operating shift</i>	24 hour/day, 7 days/week
<i>Equipment:</i>	Wet process, Dryer (x2), Canning (x2), Cold storage containers (x2)

- Markets supplied: Mexico, Venezuela, Colombia, Central America and Caribbean, Ecuador, Peru and Chile



# Latin America Highlights and Prospects

- Region building off solid foundations
- Business transformed from public sector tender business
  - Now a branded pharmaceutical company
- Sustained organic growth over last 4 years
  - Commercial strategies working
  - Sales >R1.5 billion
  - With IMF and Merck products
    - Calendar 2014 to R4 billion?
  - Anticipate significant increase in roll out of Aspen representation
    - Facilitated by IMF infrastructure and Merck products
  - Closing in on SA and Australia
  - Strong driver for future growth within the Group



NYTOL® Point-of-sale promotion in Mexico



Geniol® Brand promo head



**Perseverance rewarded**



# Transforming Aspen

## Stated Strategic Objectives

- Roll out Aspen presence across more geographies
  - Acquire more products
  - Critical mass
    - Convert from distribution model to an owned model
  - Enhanced pipeline
    - Differentiated, relevant and niche
- Merck and GSK transactions is realisation of all above objectives
- Aspen has transformed its geographic sales base
  - Aspen has acquired more products
- Aspen will transform its representative base
  - Through increased local operating entities
- Aspen will transform its capabilities
  - Control and access over niche pipeline opportunities
  - Integrated API supply chain



COFAL Fuerte® Brand Activation in Costa Rica

Through our actions, skill base & quality underwrite  
- Aspen has built a relationship of trust with global  
multinationals



# Transforming Aspen's Geographic Sales Base

- Currently - 3 segments
  - South Africa and Sub Saharan Africa
  - Australia
  - Rest of the World
- By end of calendar year 2014 Aspen
  - South Africa less than 25% of total sales
  - Australia less than 25% of total sales
  - Latam and Asia combined – challenging
- Representation across key Western European territories
  - Promotion in specialist hospital sector
  - More than 200 reps in Central/Eastern Europe and the CIS
    - Sales in the CIS and Central/Eastern Europe >R1.5bn
    - The CIS will be another Aspen focus territory
- A global API business
  - Sales >R2bn



# Transformation of Aspen's Representative Base

- In addition to the territory expansion across Asia, Latam and Sub Saharan Africa
- Territories below should also have Aspen representation

Western Europe	CE Europe and CIS	MENA
France	Russia	Turkey
Germany	Poland	Saudi Arabia
Italy	Czech Republic	Egypt
Belgium	Slovakia	Algeria
Netherlands	Hungary	
Greece	Romania	
United Kingdom	Ukraine	
Ireland	Slovenia	
Switzerland	Montenegro & Serbia	
	Latvia	
	Lithuania	





# Transformation of Aspen's Capabilities

- Access to niche APIs
  - Tons to kgs
  - Limited competitors/complex processes
- Pipeline enhancement
  - Pipeline developed from niche APIs
  - Peptides, Biochemicals, Steroids and Hormonals
- Skills base acquired - APIs
  - Skilled personnel - knowledge of complex processes
- Skills base acquired - Manufacture
  - High volume sterile pre-filled syringe capabilities
  - Complements Aspen's sterile base
- Material API business



Site: Oss - Moleneind



# Merck Transaction - Introduction

- API manufacturing business in the Netherlands - October 2013
  - API stock on hand
- Finish Dosage Form portfolio of eleven molecules - January 2014
  - Broad therapeutic range
  - Mostly utilising acquired APIs
- The IP related to Arixtra that gives rise to the royalty GSK currently pay on this product
- The APIs are largely in two broad categories
  - Hormones/steroids
  - Biochemicals
- Hormones/Steroids
  - Fermentation process plus numerous chemical steps
  - Complex
  - Aspen has built manufacturing capability to manufacture intermediates



# Merck Transaction - Introduction

- Biochemicals
  - Biologicals with chemical extraction
    - Mucosa stomach lining of pigs
    - Urine from pregnant women/mares
- Heparin – barriers high
  - Traceability/deaths
  - Swine flu
  - Global share of just under 10%
- Portfolio of niche APIs
  - Develop additional products
  - Global API capability limited
    - Products also niche
- Have developed a strong relationship of trust with Merck





## Merck Transaction – The Products

- Aspen acquire a portfolio of products
  - Limited/no molecular equivalents
  - High margins/broad geography
    - Disproportionally higher in Latam and Asia
  - Respond positively to promotional activity
    - Particularly Emerging Markets
    - Latam to be the most receptive
  - Strong cash flows
  - Demonstrated capability
    - Transition regulatory/manufacturing components
    - Grow sales/reduce cost of goods
- Orgaran
  - Fractionated Heparin
  - Registered but not launched in most global markets including the USA
    - Supply constraints
    - Massive upside potential





# GSK Transaction - Introduction

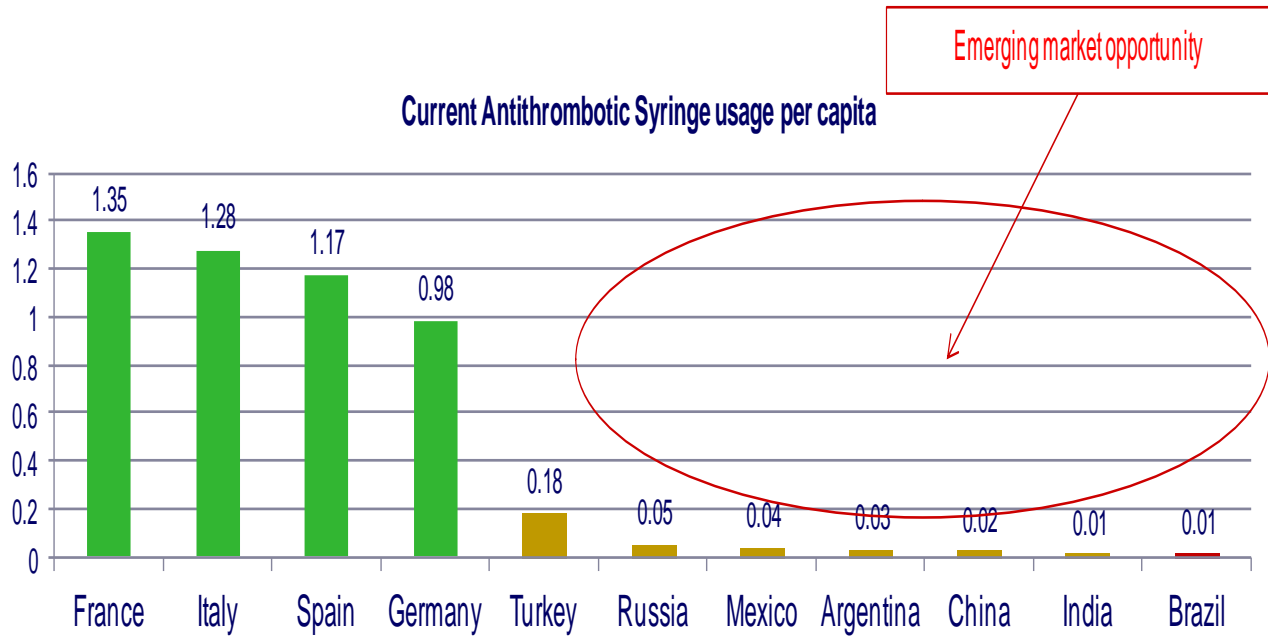
- A sterile manufacturing plant, and stock on hand, in France
  - May 2014
- The acquisition of two finished dose form anti-coagulant products (Arixtra and Fraxiparine), both injectables
  - January 2014
- Sales approximately \$500m
  - Equal split
- Fraxiparine is a biological, Arixtra is synthetic with an extremely complex API
- Challenges
  - Margin pressure on Fraxiparine
  - Generic threat to Arixtra
- Anticoagulants globally
  - Estimated value of global anticoagulant sales is \$7.5 billion
  - Heparin and its derivatives
    - Volume and value share at 66% and 79% respectively





# GSK Transaction - Introduction

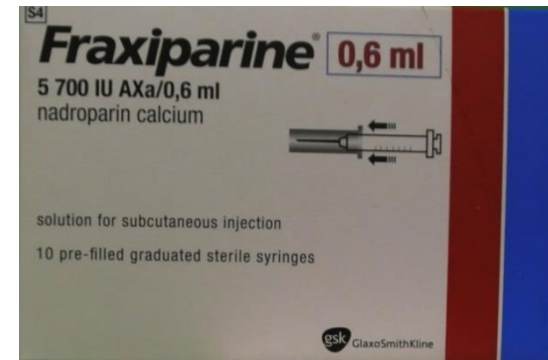
- Opportunity
  - Demand for anticoagulants expected to double globally next 5 years
    - Increase of lifestyle diseases
    - Ageing population globally
    - Greater healthcare access specifically in the emerging market







# GSK Transaction - Fraxiparine

- Fraxiparine is a biological
  - Resilient to competition
  - Biosimilars hard expensive to register
  - None have been lodged and no competition anticipated over next 3 years
- Turnover is stable
  - Strong in Central/Eastern Europe and the CIS
  - Potential for growth in Western Europe
  - Emerging Markets opportunity
  - USA registration?
- Margin currently poor
  - Heparin price increases
  - Ability to reduce cost
    - Price and
    - Process
  - Have a strong global position
    - Manufacture the APIs at Oss
  - Have capability to address both the process and yields





# GSK Transaction - Arixtra

- Complex process
  - Patent expired many years ago
  - Just one competitor
  - API was developed and manufactured in Oss
- Margins high - generic threat
  - Authorised generic strategy retained majority of USA market
  - Strategy to defend Europe
  -  Emerging markets  Europe
- Aspen has security over total value chain
- Royalty buy-back
  - Sustained competitiveness
- Growth to be driven in emerging markets
  - Aspen's core strength







# Synergies

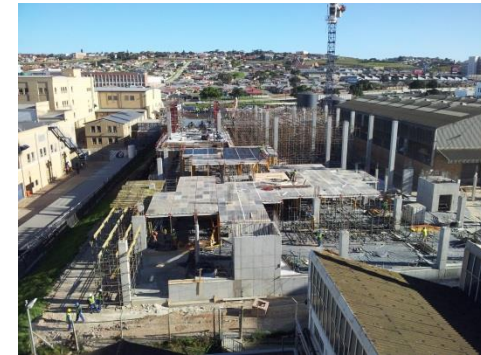
- Sales and Marketing staff
  - Over 400 transferring employees
  - Most are from the CIS and Central/Eastern Europe
  - Enhances our global representation
  - Specialist representatives
    - Contracts and appointments in place
  - Orgaran fits in their promotional basket
- Arixtra and Fraxiparine are sterile products
  - Aspen has sterile capabilities in Port Elizabeth
- Individually each transaction is value enhancing but collectively:

Synergy Table	
GSK	Merck
Fraxiparine	Heparin supply
Arixtra	Royalty
Representation	Orgaran



# Strategic contribution from Operations

- Our manufacturing and supply chain have been a key enabler in realising commercial deal closure
- High potency suite
  - Reduction in conversion, COGS more than halved
- Oral solid dosage
  - First Sigma volumes absorbed
  - Only local manufacturer of 3-in-1 ARVs
- Sterile operations
  - Contribute to GSK products
  - Hormonal manufacture of acquired products
- FCC
  - Vertical integration for Merck



Aspen operational skill base is a global strength  
Team integrates sites effectively into global supply  
network and drive efficiencies - our most sought after  
capability from multinationals



# Summary and Prospects

- Brilliant financial results
  - All key financial indicators
  - Strong cash flow
  - Every region performing
  - Operational excellence supporting performance
- South Africa and Australia base businesses performing
  - Financial plus cash flow
- Global footprint increased
  - ↑ Latam and Asia, CIS/Central Europe, Western Europe, MENA
- IMFs a major business segment
  - Africa, Australia, Latam
  - Asia soon
- Merck and GSK transactions
  - Impact H2 2014
  - Individually value enhancing
  - Collective synergies
  - Access niche pipeline



# Glossary

Acronym	Meaning	Acronym	Meaning
API	Active pharmaceutical ingredient	IMS	IMS Health, an independent provider of healthcare information and other services
ARV	Antiretroviral drug	IP	Intellectual property
AUD or AU\$	Australian Dollar	Latam	Latin America
CAGR	Compound annual growth rate	MAT	Moving annual total
CIS	Commonwealth of Independent States, including Russia	Normalised EBITA	Earnings before interest, tax and amortisation adjusted for specific non-trading items
COGS	Cost of goods	OTC	Over-the-counter
EBITA	Earnings before interest, tax and amortisation	PBS	Australian Government's Pharmaceutical Benefits Scheme
EPS	Earnings per share	Pharma	Pharmaceutical
FMCG	Fast moving consumer goods	R	South African Rand
Forex	Foreign exchange	SEP	Single exit price as determined by the Department of Health in South Africa
GBP or £	British Pound	SSA	Sub Saharan Africa
GSK	GlaxoSmithKline	State	South African Government
H1	Six month period from 1 July to 31 December	USA	United States of America
H2	Six month period from 1 January to 30 June	USD or US\$	United States Dollar
IMF	Infant milk formula		



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