aspen
HOLDINGS

Aspen Pharmacare Holdings Limited ("Aspen")
(Registration number 1985/002935/06)
Share code: APN ISIN: ZAE000066692

**PROFIT FROM CONTINUING OPERATIONS**

R889 million **31%** ↑

**HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS**

242,3 cents **27%** ↑

**OPERATING CASH FLOW PER SHARE**

215,5 cents **40%** ↑


# Interim financial results for the six months ended **31 December 2009**

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## Commentary

### GROUP PERFORMANCE

Aspen raised headline earnings per share from continuing operations by 27% to 242,3 cents for the six months ended 31 December 2009. Operating profit of R1,314 billion was up 16% and revenue increased by 10% to R4,576 billion. Lower net funding costs and a tax charge reduced by the section 12G industrial incentive allowance resulted in profit after tax from continuing operations increasing by 31% to R889 million. An excellent performance from the South African business underpinned the results.

### COMPLETION OF THE GLAXOSMITHKLINE ("GSK") TRANSACTIONS

With effect from 1 December 2009, Aspen completed a series of strategic, interdependent transactions with GSK ("the GSK transactions") which had been announced on 12 May 2009. The GSK transactions comprise:

- The acquisition of the rights to distribute GSK's pharmaceutical products in South Africa;
- The formation of a collaboration agreement between Aspen and GSK in relation to the marketing and selling of prescription pharmaceuticals in sub-Saharan Africa;
- The acquisition by Aspen Global of eight specialist branded products (Alkeran, Leukeran, Purinethol, Kemadrin, Lanvis, Myleran, Septrin and Trandate) for worldwide distribution;
- The acquisition of GSK's manufacturing facility in Bad Oldesloe, Germany; and
- The issue by Aspen of 68,5 million ordinary shares to GSK at R66,80 per share amounting to a total value of R4,576 billion.

### SOUTH AFRICAN BUSINESS

The South African business grew revenue by 23% to R2,550 billion. Operating profit from the South African business increased from R484 million to R806 million. Other operating income includes an amount of R145 million received as insurance compensation for the loss of profits and asset replacement, arising from the explosion which occurred at the Nutritionals Facility in August 2009. Profit margins improved after the contractions in the previous two years which were caused by a weak Rand and delays in the passing of an increase to the regulated single exit price ("SEP") in the private pharmaceutical market. Ultimately a 13,2% increase in the SEP was awarded in February 2009. The margin improvement was a consequence of improved manufacturing efficiencies, a stronger Rand, procurement savings as well as a contribution from the increase in SEP.

The pharmaceutical division led growth in the South African business with revenue rising 30% to R1,975 billion. The Group maintained its leadership position across the private and public sectors of the pharmaceutical market. Aspen's robust growth in pharmaceuticals was characterised by volume gains across the extensive product offering.

The consumer division increased revenue by 6% to R575 million in a retail environment struggling to overcome the effects of recession. Under the challenging trading conditions this was a creditable outcome, particularly given that sales of infant milk formula were negatively affected by the temporary unavailability experienced in certain products due to the damage incurred at the Nutritionals manufacturing facility.

The Group's South African manufacturing facilities achieved impressive efficiency gains as the benefits of the significant capital expenditure programme of the last few years begin to be realised. The second oral solid dose manufacturing facility and the eye-drop suite of the Sterile Facility, are in production. The hormonal suite of the Sterile Facility is scheduled to commence commercial production before the end of the 2010 financial year. Capital projects in progress include the addition of increased tabletting capacity and the installation of suppository and dutch medicines manufacturing at the East London site. Reconstruction of the drying tower damaged by the explosion at the Nutritionals Facility is well advanced and production is expected to recommence within the next six months.

### SUB-SAHARAN AFRICA BUSINESS

In anticipation of the future materiality of this region, Aspen has established a separate management and reporting structure for the sub-Saharan Africa business. Included in this business segment are exports into sub-Saharan Africa from South Africa, the Shelys Africa business based in East Africa and the GSK Aspen Healthcare for Africa collaboration.

Revenue from the sub-Saharan Africa business declined from R464 million in the prior period to R279 million and operating profit decreased from R99 million to R45 million. The steep reversal in results in this region was due to export business lost resulting from the genericisation of patented ARV molecules marketed by Aspen. Sales by Shelys Africa were also reduced as this business shed low margin tenders in accordance with the strategic plan for the operation, without affecting profits. GSK Aspen Healthcare for Africa began operations on 1 December 2009 and will in future be the most material contributor to the region.

### INTERNATIONAL BUSINESS

Revenue in the international business increased by 12% to R1,797 billion. Gains from global brands, the Asia Pacific domestic brands, the oncology business and the additional revenue from the GSK transactions were partially offset by reversals in Latin America. Operating profit declined from R554 million to R463 million largely as a consequence of losses in Latin America and a strengthening of the Rand against most of the underlying trading currencies.

Revenue from the global brands was up 18% to R824 million. The greatest portion of this revenue came from Eltroxin, Lanoxin, Imuran and Zyloric which were acquired with effect from 30 June 2008. Worldwide sales from these four global brands achieved double digit growth in USD. The balance of the growth in the global brands came from the addition of Aggrastat and the introduction of the eight products acquired from 1 December 2009 under the GSK transactions.

The Asia Pacific domestic brands showed an 8% increase in revenue to R522 million. This business, largely Australian based, has again performed well considering the downward pricing pressure being experienced in the territory.

Aspen has exercised its call on the remaining 49% shareholding in the Latin American businesses. Given that Aspen already has full rights to the economic performance of these businesses there is no further purchase consideration required for the acquisition of this remaining shareholding.

Revenue from domestic brands in Latin America declined by 15% to R345 million. The primary underperformer was the Brazilian business, Aspen's largest operation in the region. Aspen has assumed full operational control of the Brazilian business from February 2010 and has implemented a restructuring plan to shape this operation in accordance with the business model which the Group has planned for Brazil. Key actions include:

- Disposal of selected assets, including the Campos Facility and related products to Strides Arcolab ("Strides"). Consideration receivable from Strides amounts to approximately USD 75 million;
- Right sizing of business structures and reshaping of sales teams to take account of the new business model; and
- Identification and pursuit of opportunities to increase the private market product portfolio, some of which are at an advanced stage of negotiations.

The disposal of the Campos Facility will complete as soon as the requisite regulatory approvals are met. In the interim, Strides have been engaged to manage Campos and will assume the risks and rewards of its operation. An improvement in the performance of the Brazilian business is anticipated over the next six months as the restructuring plan takes effect.

The oncology joint ventures which Aspen has with Strides concluded a license and supply agreement with Pfizer in December 2009 in terms of which Pfizer has exclusive rights to market the oncology products in the United States. An upfront non-refundable license fee of USD 12 million was brought to account in the six month period to December 2009 of which 50% has been recognised, being Aspen's share under the joint ventures.

### FUNDING

Borrowings, net of cash, have been reduced from R4,0 billion at 30 June 2009 to R3,5 billion at 31 December 2009. Strong operating cash flows and favourable exchange rate movements were the biggest contributors to this reduction. The lower debt levels and the additional share capital in issue following the GSK transactions has resulted in gearing in the Group improving from 51% at 30 June 2009 to 29%.

Interest paid, net of interest received, of R190 million was covered seven times by earnings before interest, taxes and amortisation. Gains on foreign exchange and forward cover contracts amounted to R32 million (2008 : R27 million loss) as underlying currencies strengthened against USD denominated obligations.

### PROSPECTS

Aspen has established a leadership position in the South African pharmaceutical sector through more than a decade of unparalleled achievement in the industry. The Group is positively positioned to maintain this leadership with an excellent product pipeline set to add to the most extensive product offering in the market and backed up by an outstanding team. The recently awarded public sector tenders again verified Aspen's production competitiveness with the Group continuing as the largest supplier of pharmaceuticals to government. The ARV tender remains to be awarded. The ARV tender documents are yet to be published, although expectations are for an award to be made before the end of this financial year. The recently announced support for local manufacturers under the South African Government's Industrial Policy Action Plan is encouraging as is the focus on developing the pharmaceutical industry in South Africa.

The fundamental growth drivers of the South African pharmaceutical market remain intact. This growth is however likely to be tempered by a delay in the annual SEP price increase by the Department of Health. The last award was in February 2009. South African pharmaceutical companies will therefore absorb the net effects of exchange rate fluctuations and inflation from February 2010 until the date of the award.

The consumer business in South Africa has proven resilient in the difficult trading environment, but growth is likely to be constrained by the economic circumstances. Full supply of the infant milk products has been restored through the importation of product from Europe. Overall performance indicators will continue to be distorted until full production is resumed by the Nutritionals Facility and the insurance payments are settled.

The sub-Saharan Africa business has excellent prospects. The supplementation of GSK's existing portfolio with Aspen's pipeline of relevant products and supported by GSK's proven distribution network should allow the GSK Aspen Healthcare for Africa collaboration to increase access to high quality medication in the region. Shelys Africa has an active product launch plan for the remainder of the financial year as this operation becomes more focused on private sector business.

The transition of global brands acquired in prior years to the Aspen international distribution network ("the network") is well advanced. The Group is in a position to influence promotional activities in respect of the products which have transitioned to the network. Third party distributors in the network are expected to absorb in the order of 10% of the existing revenue of the global brands. Continuation of the growth achieved to date in the global brands will be required to counteract this. Projects have been implemented which will result in significant cost of goods savings for the global brands in the medium term. Opportunities to supplement the global brands portfolio will continue to be sought.

The Asia Pacific operation is anticipated to continue its excellent record of growth by adding to the range of products under distribution. The Group has established a company in Hong Kong to manage the third party distributors deployed in South East Asia. Prospective investments in the region are also under investigation. Implementation of the restructuring plan in Brazil is expected to yield positive results before the end of the financial year, improving the performance in the Latin American region. Investment in the international product pipeline continues to be a major Group focus area. This will create growth momentum for all markets over the forthcoming two to three years.

The completion of the GSK transactions will promote the Group's strategies in South Africa, sub-Saharan Africa and internationally. Over the balance of the financial year, growth in South Africa will be restrained by the absence of an increase in the SEP whilst a turnaround in the Latin American business should contribute to an improved performance from the international businesses in the second half. Relative exchange rate movements will continue to influence results.

By order of the Board

**N J Dlamini**
Chairman

**S B Saad**
Group Chief Executive

Woodmead – 3 March 2010

### DIRECTORS

N J Dlamini (Chairman)*, A J Aaron*, R Andersen*, M G Attridge, M R Bagus*, J F Buchanan*, S A Hussain*, C N Mortimer*, D M Nurek*, S B Saad, S Zilwa*.

### TRANSFER SECRETARY

Computershare Investor Services (Pty) Ltd
(Registration number 2004/003647/07), 70 Marshall Street, Johannesburg, 2001
(PO Box 1053, Johannesburg, 2000).

### REGISTERED OFFICE

Building no 8, Healthcare Park, Woodlands Drive, Woodmead

### COMPANY SECRETARY

H A Shapiro

*Non-executive director

## Group statement of financial position

| | | Unaudited six months ended 31 December 2009 Rm | Unaudited six months ended 31 December 2008 Rm | Audited year ended 30 June 2009 Rm |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | | 2 952,3 | 2 289,7 | 2 373,5 |
| Investment in associates | | 21,3 | 23,8 | 22,5 |
| Goodwill | | 688,2 | 677,7 | 398,4 |
| Intangible assets | E# | 7 849,8 | 4 635,2 | 4 103,6 |
| Non-current financial receivables | | 5,3 | 45,2 | 5,2 |
| Deferred tax assets | | 46,8 | 1,9 | 17,8 |
| Total non-current assets | | 11 563,7 | 7 673,5 | 6 921,0 |
| **Current assets** | | | | |
| Inventories | | 2 169,2 | 1 495,0 | 1 434,6 |
| Receivables, prepayments and other current assets | | 2 424,1 | 2 093,5 | 2 100,9 |
| Cash and cash equivalents | | 1 959,5 | 1 560,1 | 2 065,3 |
| Total current assets | | 6 552,8 | 5 148,6 | 5 600,8 |
| **Total assets** | | 18 116,5 | 12 822,1 | 12 521,8 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital and share premium | | 5 097,4 | 507,9 | 509,8 |
| Treasury shares | | — | (571,6) | — |
| Share-based compensation reserve | | 68,8 | 75,0 | 53,3 |
| Non-distributable reserves | | (212,5) | 319,0 | (170,3) |
| Retained income | | 4 511,0 | 3 333,2 | 3 627,9 |
| Ordinary shareholders' equity | | 9 464,7 | 3 663,5 | 4 020,7 |
| Equity component of preference shares | | 162,0 | 162,0 | 162,0 |
| | | 9 626,7 | 3 825,5 | 4 182,7 |
| Minority interests | | 85,9 | 66,8 | 80,3 |
| **Total shareholders' equity** | | 9 712,6 | 3 892,3 | 4 263,0 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Preference shares – liability component | | 389,6 | 399,4 | 392,2 |
| Borrowings | | 3 051,5 | 4 206,0 | 3 433,8 |
| Deferred-payables and other non-current financial liabilities | | 183,9 | 172,4 | 9,4 |
| Deferred tax liabilities | | 195,7 | 193,6 | 203,0 |
| Total non-current liabilities | | 3 820,7 | 4 971,4 | 4 038,4 |
| **Current liabilities** | | | | |
| Trade and other payables | | 1 814,5 | 1 351,9 | 1 300,2 |
| Borrowings* | | 2 427,6 | 2 291,4 | 2 670,3 |
| Deferred-payables and other current financial liabilities | | 170,6 | 174,8 | 179,1 |
| Current tax liabilities | | 170,5 | 140,3 | 70,8 |
| Total current liabilities | | 4 583,2 | 3 958,4 | 4 220,4 |
| Total liabilities | | 8 403,9 | 8 929,8 | 8 258,8 |
| **Total equity and liabilities** | | 18 116,5 | 12 822,1 | 12 521,8 |
| Number of shares in issue (net of treasury shares) ('000) | | 431 591 | 359 652 | 360 666 |
| Net asset value per share (cents) | | 2 193,0 | 1 018,6 | 1 114,8 |

*Bank overdrafts are included within borrowings under current liabilities.
#See notes on supplementary information.*

## Group statement of comprehensive income

| | | % change | Unaudited six months ended 31 December 2009 Rm | Unaudited restated six months ended 31 December 2008 Rm | Audited year ended 30 June 2009 Rm |
|---|---|---|---|---|---|
| **CONTINUING OPERATIONS** | | | | | |
| Revenue | | 10 | 4 576,0 | 4 142,3 | 8 450,3 |
| Cost of sales | | | (2 441,0) | (2 232,6) | (4 564,1) |
| **Gross profit** | | 12 | 2 135,0 | 1 909,7 | 3 886,2 |
| Other operating income | | | 150,7 | 4,4 | 4,1 |
| Selling and distribution expenses | | | (538,3) | (470,0) | (997,7) |
| Administrative expenses | | | (371,3) | (253,9) | (588,6) |
| Other operating expenses | | | (61,9) | (54,0) | (121,0) |
| **Operating profit** | B# | 16 | 1 314,2 | 1 136,2 | 2 183,0 |
| Investment income | C# | | 90,6 | 115,4 | 224,2 |
| Financing costs | D# | | (264,0) | (355,0) | (699,2) |
| | | | 1 140,8 | 896,6 | 1 708,0 |
| Share of after-tax net losses of associates | | | (1,4) | (1,9) | (3,3) |
| **Profit before tax** | | 27 | 1 139,4 | 894,7 | 1 704,7 |
| Tax | | | (250,8) | (217,9) | (362,0) |
| **Profit after tax from continuing operations** | | 31 | 888,6 | 676,8 | 1 342,7 |
| **DISCONTINUED OPERATIONS** | | | | | |
| Profit for the period/year from discontinued operations | | | — | 12,9 | 10,9 |
| **Profit for the period/year** | | 29 | 888,6 | 689,7 | 1 353,6 |
| **OTHER COMPREHENSIVE INCOME** | | | | | |
| Amounts recognised in equity due to hedge accounting of acquisitions | | | — | — | (126,5) |
| Amounts recognised in equity due to hedge accounting of interest rate swaps | | | — | (151,9) | 6,5 |
| Currency translation differences | | | (37,1) | 8,9 | (399,9) |
| Cash flow hedges realised | | | (5,1) | — | 4,8 |
| **Total comprehensive income** | | | 846,4 | 546,7 | 838,5 |
| *Profit for the period/year attributable to:* | | | | | |
| Equity holders of the parent | | | 883,0 | 684,0 | 1 340,4 |
| Minority interests | | | 5,6 | 5,7 | 13,2 |
| | | 29 | 888,6 | 689,7 | 1 353,6 |
| *Total comprehensive income for the period/year attributable to:* | | | | | |
| Equity holders of the parent | | | 840,8 | 541,0 | 824,1 |
| Minority interests | | | 5,6 | 5,7 | 14,4 |
| | | 55 | 846,4 | 546,7 | 838,5 |
| Weighted average number of shares in issue ('000) | | | 367 037 | 355 617 | 357 860 |
| *Basic earnings per share (cents)* | | | | | |
| From continuing operations | | 28 | 240,6 | 188,7 | 371,5 |
| From discontinued operations | | | — | 3,6 | 3,1 |
| | | 25 | 240,6 | 192,3 | 374,6 |
| *Diluted earnings per share (cents)* | | | | | |
| From continuing operations | | 25 | 229,6 | 183,3 | 360,0 |
| From discontinued operations | | | — | 3,4 | 2,9 |
| | | 23 | 229,6 | 186,7 | 362,9 |

*#See notes on Supplementary information.*

# Group statement of cash flows

| | Unaudited six months ended 31 December 2009 Rm | Unaudited six months ended 31 December 2008 Rm | Audited year ended 30 June 2009 Rm |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash operating profit | 1 482,0 | 1 327,4 | 2 668,3 |
| Changes in working capital | (316,5) | (296,9) | (507,7) |
| Cash generated from operations | 1 165,5 | 1 030,5 | 2 160,6 |
| Net financing costs paid | (280,1) | (416,1) | (759,3) |
| Investment income received | 90,6 | 115,4 | 224,2 |
| Tax paid | (185,2) | (184,1) | (333,4) |
| Net cash generated from operating activities# | 790,8 | 545,7 | 1 292,1 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Replacement capital expenditure – property, plant and equipment | (62,8) | (41,3) | (97,0) |
| Expansion capital expenditure – property, plant and equipment | (181,1) | (302,9) | (529,7) |
| Proceeds on disposal of tangible assets | 1,0 | 1,3 | 9,1 |
| Replacement capital expenditure – intangible assets | (0,6) | (0,3) | (0,1) |
| Expansion capital expenditure – intangible assets | (154,8) | (2 987,2) | (3 279,8) |
| Proceeds on disposal of intangible assets | — | 1,1 | 15,5 |
| Acquisition and disposal of subsidiary, businesses and joint ventures | — | (22,7) | 429,2 |
| Cash balances acquired in subsidiary, businesses and joint ventures | 32,4 | 312,1 | — |
| Increase in non-current financial receivables | (0,1) | (37,9) | (0,4) |
| Consideration for GSK transactions | (4 575,8) | — | — |
| Payment of outstanding Oncology business purchase consideration | (9,2) | (69,2) | (103,5) |
| Net cash used in investing activities | (4 951,0) | (3 147,0) | (3 556,7) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | 1,9 | 6 523,7 | 6 256,2 |
| Repayment of borrowings | (67,5) | (3 105,9) | (3 134,6) |
| Repayment of deferred-payables | (0,7) | (4,0) | (12,2) |
| Dividend paid | (0,8) | (0,8) | (0,8) |
| Proceeds from issue of ordinary shares | 12,0 | 13,2 | 20,4 |
| Shares issued to GSK | 4 575,8 | — | — |
| Net cash generated from financing activities | 4 520,7 | 3 426,2 | 3 129,0 |
| **Movement in cash and cash equivalents before exchange rate changes** | 360,5 | 824,9 | 864,4 |
| Effects of exchange rate changes | (42,6) | (298,5) | (486,4) |
| Cash and cash equivalents | | | |
| Movement in cash and cash equivalents | 317,9 | 526,4 | 378,0 |
| Cash and cash equivalents at the beginning of the period/year | 1 322,9 | 944,9 | 944,9 |
| Cash and cash equivalents at the end of the period/year | 1 640,8 | 1 471,3 | 1 322,9 |
| Operating cash flow per share (cents)# | 215,5 | 153,5 | 361,1 |
| Growth in operating cash flow per share on prior year | 40% | | |
| The above includes discontinued operations of: | | | |
| Net cash used in operating activities | — | (1,5) | (8,1) |
| Net cash used in investing activities | — | (5,6) | (5,7) |
| Net cash (used in)/generated from financing activities | — | (19,9) | 24,3 |
| Effects of exchange rate changes | — | (1,4) | (0,1) |
| Movement in cash and cash equivalents | — | (28,4) | 10,4 |
| Cash and cash equivalents at the beginning of the period/year | — | (10,4) | (10,4) |
| Cash and cash equivalents per the statement of cash flows | — | (38,8) | — |
| Reconciliation of cash and cash equivalents | | | |
| Cash and cash equivalents per the statement of financial position | 1 959,5 | 1 560,1 | 2 065,3 |
| Less: bank overdrafts | (318,7) | (88,8) | (742,4) |
| Cash and cash equivalents per the statement of cash flows | 1 640,8 | 1 471,3 | 1 322,9 |

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks less bank overdrafts.

# Headline earnings

| | % Change | Unaudited six months ended 31 December 2009 Rm | Unaudited restated six months ended 31 December 2008 Rm | Audited year ended 30 June 2009 Rm |
|---|---|---|---|---|
| RECONCILIATION OF HEADLINE EARNINGS | | | | |
| Profit attributable to equity holders of the parent | | 883,0 | 684,0 | 1 340,4 |
| Adjusted for: | | | | |
| Continuing operations | | | | |
| – Profit on disposal of property, plant and equipment (net of tax) | | 1,6 | 0,5 | 3,1 |
| – Impairment of property, plant and equipment (net of tax) | | 0,7 | 2,4 | — |
| – Loss on disposal of intangible assets (net of tax) | | 0,1 | — | 0,7 |
| – Impairment of intangible assets (net of tax) | | 11,1 | 2,2 | 24,8 |
| – Capital gains tax on transfer of intellectual property rights | | 20,6 | — | — |
| – Insurance compensation – capital component | | (27,7) | — | — |
| – Reversal of impairment losses on intangible assets (net of tax) | | — | — | 0,1 |
| Discontinued operations | | | | |
| – Loss on the sale of Astrix Laboratories Ltd (net of tax) | | — | — | 24,1 |
| – Profit on disposal of property, plant and equipment (net of tax) | | — | — | 0,3 |
| Headline earnings | 29 | 889,4 | 689,1 | 1 393,5 |
| Headline earnings | | | | |
| From continuing operations | 32 | 889,4 | 676,2 | 1 358,2 |
| From discontinued operations | | — | 12,9 | 35,3 |
| | 29 | 889,4 | 689,1 | 1 393,5 |
| Headline earnings per share (cents) | | | | |
| From continuing operations | 27 | 242,3 | 190,2 | 379,5 |
| From discontinued operations | | — | 3,6 | 9,9 |
| | 25 | 242,3 | 193,8 | 389,4 |
| Headline earnings per share – diluted (cents) | | | | |
| From continuing operations | 25 | 231,2 | 184,7 | 367,5 |
| From discontinued operations | | — | 3,4 | 9,2 |
| | 23 | 231,2 | 188,1 | 376,7 |

# Group statement of changes in equity

| | Share capital and premium Rm | Treasury shares Rm | Share-based compensation reserve Rm | Non-distributable reserves Rm | Retained income Rm | Equity component of preference shares Rm | Minority interests Rm | Total Rm |
|---|---|---|---|---|---|---|---|---|
| Balance at 30 June 2008 | 493,8 | (571,6) | 62,5 | 462,0 | 2 649,0 | 162,0 | 61,1 | 3 318,8 |
| Total comprehensive income | — | — | — | (519,9) | 1 340,4 | — | 18,0 | 838,5 |
| Profit for the year | — | — | — | — | 1 340,4 | — | 13,2 | 1 353,6 |
| Other comprehensive income | — | — | — | (519,9) | — | — | 4,8 | (515,1) |
| Dividend paid | — | — | — | — | (0,8) | — | — | (0,8) |
| Issue of ordinary share capital | 21,4 | — | — | — | — | — | — | 21,4 |
| Treasury shares cancelled | (5,4) | 571,6 | — | — | (566,2) | — | — | — |
| Share options and appreciation rights expensed | — | — | 28,5 | — | — | — | — | 28,5 |
| Transfer from share-based compensation reserve | — | — | (37,7) | — | 37,7 | — | — | — |
| Transfer of accumulated losses in subsidiary | — | — | — | (112,4) | 112,4 | — | — | — |
| Equity portion of tax claims in respect of share schemes | — | — | — | — | 55,4 | — | — | 55,4 |
| Contribution by minority | — | — | — | — | — | — | 1,2 | 1,2 |
| Balance at 30 June 2009 | 509,8 | — | 53,3 | (170,3) | 3 627,9 | 162,0 | 80,3 | 4 263,0 |
| Total comprehensive income | — | — | — | (42,2) | 883,0 | — | 5,6 | 846,4 |
| Profit for the period | — | — | — | — | 883,0 | — | 5,6 | 888,6 |
| Other comprehensive income | — | — | — | (42,2) | — | — | — | (42,2) |
| Dividend paid | — | — | — | — | (0,8) | — | — | (0,8) |
| Issue of ordinary share capital | 4 587,6 | — | — | — | — | — | — | 4 587,6 |
| Shares issued – share schemes | 11,8 | — | — | — | — | — | — | 11,8 |
| Shares issued – GSK transaction | 4 575,8 | — | — | — | — | — | — | 4 575,8 |
| Share options and appreciation rights expensed | — | — | 16,4 | — | — | — | — | 16,4 |
| Transfer from share-based compensation reserve | — | — | (0,9) | — | 0,9 | — | — | — |
| Balance at 31 December 2009 | 5 097,4 | — | 68,8 | (212,5) | 4 511,0 | 162,0 | 85,9 | 9 712,6 |

# Segmental analysis

| | Unaudited six months ended 31 December 2009 Rm | % of total | Unaudited restated six months ended 31 December 2008 Rm | % of total | % change | Audited restated year ended 30 June 2009 Rm | % of total |
|---|---|---|---|---|---|---|---|
| **REVENUE FROM CONTINUING OPERATIONS** | | | | | | | |
| South Africa | 2 549,9 | 55 | 2 066,4 | 50 | 23 | 4 309,1 | 51 |
| Sub-Saharan Africa# | 279,2 | 6 | 464,1 | 11 | (40) | 931,2 | 11 |
| International | 1 797,2 | 39 | 1 611,8 | 39 | 12 | 3 210,0 | 38 |
| Total gross revenue | 4 626,3 | 100 | 4 142,3 | 100 | 12 | 8 450,3 | 100 |
| Adjustment* | (50,3) | | — | | | — | |
| Total revenue | 4 576,0 | | 4 142,3 | | 10 | 8 450,3 | |
| **OPERATING PROFIT BEFORE AMORTISATION, DISPOSALS AND IMPAIRMENT OF INTANGIBLE ASSETS FROM CONTINUING OPERATIONS** | | | | | | | |
| South Africa | 802,7 | 60 | 512,0 | 43 | 57 | 1 102,0 | 48 |
| Operating profit | 805,7 | | 484,1 | | 66 | 1 045,1 | |
| Amortisation of intangible assets | 21,2 | | 27,9 | | | 37,8 | |
| Insurance compensation – capital component | (38,5) | | — | | | — | |
| Impairment of intangible assets | 14,3 | | — | | | 19,1 | |
| Sub-Saharan Africa | 45,4 | 3 | 98,6 | 8 | (54) | 178,4 | 8 |
| International | 488,7 | 37 | 573,2 | 49 | (15) | 1 022,4 | 44 |
| Operating profit | 463,1 | | 553,5 | | (16) | 959,5 | |
| Amortisation of intangible assets | 25,6 | | 19,7 | | | 57,2 | |
| Impairment on intangible assets | — | | — | | | 5,7 | |
| | 1 336,8 | 100 | 1 183,8 | 100 | 13 | 2 302,8 | 100 |
| **ENTITY WIDE DISCLOSURE – REVENUE** | | | | | | | |
| *Analysis of revenue in accordance with customer geography* | | | | | | | |
| Domestic brands | | | | | | | |
| South Africa – pharmaceuticals | 1 975,4 | 43 | 1 524,9 | 37 | 30 | 3 208,3 | 38 |
| South Africa – consumer | 574,5 | 13 | 541,5 | 13 | 6 | 1 100,8 | 13 |
| Sub-Saharan Africa# | 279,2 | 6 | 464,1 | 11 | (40) | 931,2 | 11 |
| Asia Pacific | 521,6 | 11 | 483,6 | 12 | 8 | 915,4 | 11 |
| Latin America | 345,3 | 8 | 407,9 | 10 | (15) | 841,3 | 10 |
| Rest of the world | 106,7 | 2 | 24,6 | — | 334 | 15,3 | — |
| Total gross revenue from domestic brands | 3 802,7 | 83 | 3 446,6 | 83 | 10 | 7 012,3 | 83 |
| Adjustment* | (50,3) | | — | | | — | |
| Total revenue from domestic brands | 3 752,4 | 82 | 3 446,6 | 83 | 9 | 7 012,3 | 83 |
| Global brands | | | | | | | |
| Asia Pacific | 226,5 | 5 | 158,5 | 4 | 43 | 336,1 | 4 |
| Latin America | 154,4 | 3 | 110,1 | 3 | 40 | 196,2 | 2 |
| EMENA^ | 413,8 | 9 | 393,2 | 9 | 5 | 826,0 | 10 |
| Rest of the world | 28,9 | 1 | 33,9 | 1 | (15) | 79,7 | 1 |
| Total revenue from global brands | 823,6 | 18 | 695,7 | 17 | 18 | 1 438,0 | 17 |
| Total revenue | 4 576,0 | 100 | 4 142,3 | 100 | 10 | 8 450,3 | 100 |

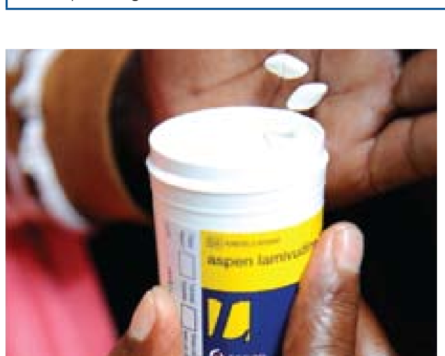
*#In anticipation of the future materiality of the sub-Saharan Africa region, Aspen has established a separate management and reporting structure for this region and the segmental analysis has been amended and restated to include the additional segment.*

**The profit share from the GSK Aspen Healthcare for Africa collaboration has been disclosed as revenue in the statement of comprehensive income. For segmental purposes the total revenue for the collaboration has been included to provide enhanced revenue visibility in this territory.*

*^Europe, Middle East and North African territories.*

# Supplementary information

| | Unaudited six months ended 31 December 2009 Rm | Unaudited restated six months ended 31 December 2008 Rm | Audited year ended 30 June 2009 Rm |
|---|---|---|---|
| **A. CAPITAL EXPENDITURE** | | | |
| Incurred | 399,3 | 3 331,7 | 3 906,6 |
| – tangible assets | 243,9 | 344,2 | 626,7 |
| – intangible assets | 155,4 | 2 987,5 | 3 279,9 |
| Contracted | | | |
| – tangible assets | 172,2 | 88,3 | 87,3 |
| – intangible assets | 100,0 | — | 5,8 |
| Authorised but not contracted for | | | |
| – tangible assets | 301,8 | 279,5 | 226,9 |
| – intangible assets | 421,2 | — | 12,1 |
| **B. OPERATING PROFIT HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING)** | | | |
| Depreciation of property, plant and equipment | 73,3 | 53,2 | 115,7 |
| Amortisation of intangible assets | 46,8 | 47,6 | 95,0 |
| Share-based payment expenses – employees | 13,3 | 14,4 | 29,5 |
| Deferred incentive – employees | 3,1 | — | — |
| Insurance compensation | (144,7) | — | — |
| **C. INVESTMENT INCOME** | | | |
| Interest received | 90,6 | 115,4 | 224,2 |
| **D. FINANCING COSTS** | | | |
| Interest paid | (280,9) | (310,9) | (614,9) |
| Net foreign exchange gains/(losses) | 25,1 | (28,2) | (0,9) |
| Fair value gains/(losses) on financial instruments | 7,0 | 1,5 | (52,4) |
| Notional interest on financial instruments | (0,9) | 3,5 | 7,3 |
| Preference share dividends paid | (14,3) | (20,9) | (38,3) |
| Financing costs | (264,0) | (355,0) | (699,2) |
| **E. INTANGIBLE ASSET MOVEMENT** | | | |
| Opening balance | 4 103,6 | 3 705,7 | 3 705,7 |
| Net acquisitions of businesses, subsidiary and joint ventures | — | 79,2 | 19,5 |
| Additions - GSK | 3 808,4 | — | — |
| Additions - other | 155,4 | 344,2 | 626,9 |
| Disposals | — | (1,1) | (16,4) |
| Amortisation | (46,8) | (52,7) | (104,4) |
| Effects of exchange rate changes | (161,7) | 5 53,8 | (106,2) |
| Impairment of intangible assets | (14,3) | (2,2) | (24,8) |
| Other movements | 5,2 | 8,3 | 3,3 |
| Closing balance | 7 849,8 | 4 635,2 | 4 103,6 |
| **F. CONTINGENT LIABILITIES** | | | |
| There are contingent liabilities in respect of: | | | |
| Additional payments in respect of the Quit worldwide intellectual property rights | 7,4 | 9,3 | 7,7 |
| Guarantees covering loan and other obligations to third parties | 5,7 | 3,0 | 23,8 |
| Tax duty contingencies | 11,3 | — | 17,0 |



## Acquisitions

The Group concluded a series of interdependent transactions with GSK in the reporting period to promote its strategic objectives in South Africa, sub-Saharan Africa and internationally. These transactions will be accounted for as a business combination in terms of IFRS 3 revised.

The effective date of the transactions was 1 December 2009.

The acquisitions being:

- the acquisition of the rights by Pharmacare Ltd to distribute GSK's pharmaceutical products in South Africa;
- the formation of a collaboration between Pharmacare Ltd and GSK in relation to the marketing and selling of prescription pharmaceuticals in sub-Saharan Africa;
- the acquisition by Aspen Global of eight specialist branded products (Alkeran, Leukeran, Purinethol, Kemadrin, Lanvis, Myleran, Septrin and Trandate) for worldwide distribution;
- the acquisition of GSK's manufacturing facility in Bad Oldesloe, Germany; and
- The issue by Aspen of 68,5 million shares to GSK at a value of R66,80 per share.

| | | Rm |
|---|---|---|
| *Cost of the acquisition:* | | |
| Shares issued | | 4 575,8 |
| Fair value of assets acquired | | (4 282,1) |
| Goodwill | | 293,7 |
| *Fair values recognised for the acquisitions were:* | | |
| Property, plant and equipment | | 403,7 |
| Intangible assets | E# | 3 808,4 |
| Current assets | | 268,2 |
| Non-current liabilities | | (174,7) |
| Current liabilities | | (23,5) |
| **Fair value of assets acquired** | | 4 282,1 |
| Goodwill acquired | | 293,7 |
| Purchase consideration | | 4 575,8 |
| Shares issued to GSK | | (4 575,8) |
| Cash and cash equivalents in acquired company | | 33,4 |
| Total cash inflow on acquisition | | 33,4 |

*#Refer to notes on supplementary information.*

The net book values of all assets and liabilities acquired in the combination immediately before the combination equals the fair values as stated above.

The initial accounting for the business combination has been reported on a provisional basis in respect of intangible assets and goodwill and will only be finalised in the year ending 30 June 2011, as the effective date of the transaction was 1 December 2009.

## Goodwill

The goodwill arising on the transaction has been allocated to Pharmacare Ltd as this is where the Group expects to realise synergistic benefits from the transactions. These synergies include cost savings, building Aspen Pharmacare's ethical brand credibility with specialists and optimising process efficiencies.

The total amount of goodwill recognised is not tax deductable.

## Basis of Accounting

The condensed interim financial results have been prepared in accordance with IFRS, IAS 34 - Interim Financial Reporting, the Listings Requirements of the JSE Ltd and Schedule 4 of the South African Companies Act (Act 61 of 1973, as amended).

The accounting policies used in the preparation of these interim results are consistent with those used in the annual financial statements for the year ended 30 June 2009. The acquisition of the GSK transactions were accounted for on a provisional basis and will only be finalised in the year ending 30 June 2011.

The interim information has been prepared in accordance with the IFRS and IFRIC interpretations as adopted for use in South Africa at the time of the preparation of the information. As these standards and interpretations are subject to ongoing review, they may be amended between the date of this report and the finalisation of the annual financial statements for the year to June 2010.

## Disclaimer

*We may make statements that are not historical facts and relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "indicate", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. The factors that could cause our actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements are discussed in each year's annual report. Forward-looking statements apply only as of the date on which they are made, and we do not undertake other than in terms of the Listings Requirements of the JSE Ltd, any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. All profit forecasts published in this report are unaudited.*

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